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# An Administrative History

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**Roger L. Sperry  
Timothy D. Desmond  
Kathi F. McGraw  
Barbara Schmitt**

U.S. General Accounting Office  
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# Foreword

As my term as Comptroller General neared its end, I established a special project to summarize the significant internal events, directions, and changes that occurred between 1966 and 1981. The purpose of the project was to bring together in one place the developments affecting the role and operations of the General Accounting Office in this period. A number of key people have been involved in these developments, including some who have retired from GAO. I thought it important that we capture the views and recollections of those who participated in GAO's work as well as assemble the written records while still available.

It is my hope that those who will be concerned with GAO's management in the future will profit by having a coherent record of how the Office attempted to deal with the problems and issues of the last 15 years. I would have benefited had such a record been available to me.

There have been many changes in GAO's role during the 1966-81 period. We at GAO have faced many issues; the work of the Office has become more complex; and, as the period ends, GAO will still face issues with which the new Comptroller General and the entire organization will be concerned. This record can be a useful supplement to the book authored by Dr. Frederick Mosher in cooperation with the National Academy of Public Administration, entitled "The GAO: The Quest for Accountability in American Government," and the accompanying case studies edited by Erasmus H. Kloman.

It has been my considerable privilege to serve these 15 years as Comptroller General. I learned quickly what an important role GAO plays in helping to make the Government accountable, through the Congress, to the people it serves and to improve its efficiency and effectiveness. For GAO's achievements during this period, the credit goes to the thousands of employees who did the work and to those in the Congress and elsewhere concerned with making GAO a stronger, more capable institution.



Comptroller General  
of the United States

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# Acronyms

ADP	automatic data processing	FAL	Firm Assignment List
AFMD	Accounting and Financial Management Division	FASB	Financial Accounting Standards Board
AICPA	American Institute of Certified Public Accountants	FBI	Federal Bureau of Investigation
AID	Agency for International Development	FDIC	Federal Deposit Insurance Corporation
AIRES	Administrative Information Resources System	FEA	Federal Energy Administration
AMDS	Automated Management Data System	FGMSD	Financial and General Management Studies Division
AMPS	Assignment Management and Planning System	FLRB	Federal Labor Relations Board
ARM	Assistant Regional Manager	FOD	Field Operations Division
BARS	Behaviorally Anchored Rating Scales	FPCD	Federal Personnel and Compensation Division
BLR	"basic legislative requirements" work	GAO	General Accounting Office
CAM	Comprehensive Audit Manual	GGD	General Government Division
CASB	Cost Accounting Standards Board	GPO	Government Printing Office
CBO	Congressional Budget Office	GSA	General Services Administration
CPA	certified public accountant	GS&C	General Services and Controller
CRS	Congressional Research Service	HEAR	Hearing, Educational Aid and Research Foundation
CSC	Civil Service Commission	HEW	Department of Health, Education, and Welfare
CSRA	Civil Service Reform Act	HRD	Human Resources Division
DOD	Department of Defense	INTOSAI	International Organization of Supreme Audit Institutions
EEO	equal employment opportunity	ID	International Division
EEOC	Equal Employment Opportunity Commission	IPC	Information Policy Committee
EIA	Energy Information Administration	IPE	Institute for Program Evaluation
EMD	Energy and Minerals Division	JSSS	Job Scheduling and Staffing System

LCD	Logistics and Communications Division	OPP	Office of Program Planning
MDS	Management Data System	OPS	Office of Publishing Services
MSPB	Merit Systems Protection Board	OPSS	Office of Policy and Special Studies
NASA	National Aeronautics and Space Administration	OTA	Office of Technology Assessment
OAPS	Office of Administrative Planning and Services	PAD	Program Analysis Division
OAS	Office of Administrative Services	POWER	Producing Organized Writing and Effective Reviewing
OBFM	Office of Budget and Financial Management	PPB	Planning, Programming, and Budgeting system
OCC	Office of the Controller of the Currency	PPC	Program Planning Committee
OCR	Office of Congressional Relations	PPMA	Project Planning and Management Approach
OESP	Office of Energy and Special Projects	PSAD	Procurement and Systems Acquisition Division
OGC	Office of the General Counsel	PSR	Programming, Scheduling, and Reporting system
OIM	Office of Information Management	RED	Resources and Economic Development Division
OIR	Office of Internal Review	SARS	Selected Acquisition Reports System
OISS	Office of Information Systems and Services	SES	Senior Executive Service
OMB	Office of Management and Budget	SPCD	Skills for Performance and Career Development
OMPS	Organization and Management Planning Staff	SSA	Special Studies and Analysis section
OP	Office of Policy	TCD	Transportation and Claims Division
OPBA	Office of Program and Budget Analysis	WRO	Washington Regional Office
OPEC	Organization of Petroleum Exporting Countries		
OPM	Office of Personnel Management		

# Preface

In this document, the project team worked to record the story of the forces and events that shaped GAO's evolution from 1966 to 1981. During this time major changes occurred in the Federal Government and in society. GAO changed also; it tried to become more responsive to congressional as well as societal needs and to maintain the professionalism of its staff and its products.

More specifically, this is the record of what occurred *inside* GAO during the 15 years. By focusing on the challenges GAO faced and its efforts to meet them, this document portrays GAO's internal developments and directions in the context of the social and governmental climates which inevitably shaped them. The facets covered include managing the agency, major organizational changes, developing an interdisciplinary staff, and efforts to improve GAO's work products. Presented in three parts, the document first discusses GAO's external relationships—how it strove to serve the Congress and worked to make the Government more effective and accountable. Covered next are internal management and organizational issues, such as managing the agency, GAO's legislative charter, and program planning. Last are the operational matters affecting the scope, quality, and impact of GAO's work, such as implementing the team concept, human resource management, and the regional offices' role.

Because GAO is a Federal agency, many issues it faces are like those of other governmental institutions—its bureaucracy; regional/headquarters relationships; maintaining effective planning, budgeting, and support systems; and equal employment opportunity. Many of its problems should be viewed in this context. In other ways, GAO is unique. It is one of the world's largest government accounting and auditing institutions and the only such institution devoting a major share of its resources to program evaluation. It is a legislative support agency which must maintain objectivity and independence to be effective. It has little opportunity to affect Government operations directly; instead it must rely on the merit of its recommendations and the efforts of others to effect improvements. Finally, the scope of its operations spans almost the entire Federal Government and reaches to international bodies; State and local governments; public accounting firms; and private contractors doing business with the Government, as well.

By virtue of the independence and lengthy term afforded the Comptroller General, the holder of that office is in a position perhaps

unique among Government executives to chart the course of the agency he heads. This document provides a factual accounting of how his interests and goals were translated into action and are reflected in the developments that have taken place within GAO.

The team tried to be as thorough in doing the research as time permitted and as objective as possible in writing the story. It went about its work much as in any GAO review of a Federal program. It reviewed such GAO documents as internal memorandums, directives, and manuals; past editions of publications such as "The GAO Review" and speeches and testimony by the Comptroller General and other officials. The team also researched articles and books written on GAO, especially Dr. Mosher's book and the accompanying case studies edited by Mr. Kloman.

To supplement their research, team members interviewed people inside and outside GAO who had firsthand knowledge of the significant events, directions, and changes of the last 15 years. They visited several regional offices where they talked with managers, project leaders, and evaluators about office operations and specific ongoing projects. They interviewed the Comptroller General, present and former top GAO officials, members of the Comptroller General's panel of consultants, and other Federal officials.

The full scope of GAO's role in Government is not well understood, and documents about it are relatively rare. This document differs from others on GAO in its scope, its focus, and its intended audience. It is the only document that deals mainly with GAO's development from 1966 to 1981 and the only one giving extensive coverage to the agency's internal activities. Since much of the initiative for strengthening GAO's role and operations came from within, focusing on this aspect of GAO's history provides additional perspective.

This history was prepared for the incoming Comptroller General, who will take charge of a General Accounting Office markedly different from that of the 1960's. GAO's new management team may want to know how external events and internal changes helped reshape the philosophy and character of the institution; how GAO's functions, work agenda, and methods developed; what kinds of administrative problems arose and how they were handled; how the organizational structure evolved; and what GAO's current posture is.

The GAO staff should also find this material of interest. Those at GAO from 1966 to 1981 have been enmeshed in the changes and growth

the agency has experienced. Sometimes the changes have left some staff members confused and frustrated. Although the staff's overall support for the changes has been admirable, adjusting to them has not always been easy. This document may give the staff a clearer understanding of some of those changes and highlight some of the challenges of the future.

In addition, people outside the agency who have an interest in GAO's work and its place in the larger scheme of governmental affairs may also find this document useful. This includes people in the Congress who need and use GAO's services and are responsible for its oversight. Others in this group are administrators in organizations having functions similar to those of GAO—inspectors general and internal audit staffs and State and local government audit agencies.

Keeping up with the times, responding to increasing congressional demands, and taking on the roles envisioned by the Comptroller General was not a simple or painless process for the Office, as will be made clear in the chapters that follow. However, most observers would likely agree that, despite the difficulties encountered, GAO is a more diverse and, in many ways, more responsive institution today than it was in 1966. Whether GAO adequately responds to all expectations and fulfills the mandate in its legislative charter will be left up to others to judge.

John D. Heller, Assistant Comptroller General, provided overall guidance and supervision. Dr. Mosher, now Miller Professor of Public Affairs at the White Burkett Miller Center for Public Affairs, University of Virginia, served as a consultant to the study team and provided access to his research materials.

Many others participated in developing this administrative history. Special credit goes to Katherine Rivera who served so capably as secretary to the project team and typed the manuscript. Two summer interns, Glen Levis and Jonathan Towers, helped with the research and drafted many feature stories. GAO's divisions and offices provided the basic materials, and Raymond Wyrsch, an attorney in the Office of the General Counsel who drafted the chapter on GAO's legal services, deserves special mention. The chapters were reviewed by a reader panel consisting of Hy Krieger, Clerio Pin, and David Sorando—all senior GAO officials—and two members of GAO's Career Level Council, Alan Bogus and Guy Wilson. Many others in various parts of the organization informally reviewed segments of the manuscript. Also deserving recognition is the timely and competent work of two GAO editors, Mariann Thomson and Diane Lee, and the staff of GAO's Office of Publishing Services, especially Sharon Sebastian, who prepared the manuscript for publication.

A joint effort though this history is, the perspectives presented are those of the authors and they do not necessarily reflect the official position of the General Accounting Office, either as to the events depicted or their outcomes. The authors are solely responsible for the accuracy and interpretation of the data and information.

Roger L. Sperry

November 1980



Part I

# **Serving The Congress And Helping To Make The Government More Effective And Accountable**

# Chapter 1

# GAO's World In 1966 And How It Changed Through The 1970's

Elmer B. Staats' 15-year term as Comptroller General was set in an arena of enormous change in the world, in our society, and in our Government. As the term began in 1966, our country, although involved in an expensive and debilitating war, enjoyed unparalleled prosperity and influence in the world. In the 15 years that followed, the Government vastly expanded its commitments and its demands on the Nation's resources. However, as the 1980's approached, it became evident that available resources were limited even as the Government was being increasingly challenged by tougher issues both at home and overseas.

This chapter highlights the salient events that affected the General Accounting Office during these 15 years. It describes what GAO was like in 1966, how it got there, and how the Congress began to look more and more to GAO for advice and support on many of the challenges and problems facing the Nation.

## A Turbulent Period For Society And The Nation

The period 1966-81 was one of turmoil in the world and in the Nation. Abroad, the United States fought a war in Vietnam that its people found increasingly difficult to understand and justify. The Russians crushed a rebellion in Czechoslovakia and invaded Afghanistan, but they also entered into arms limitation agreements and helped foster a period of detente with the West. Meanwhile, the United States opened the door to mainland China and eventually established normal diplomatic ties. It also became more aware of the limits to its power, as nations constituting a "third world" emerged to exercise their own influence on world events. Attention focused on the Middle East because of the continuing Arab-Israeli conflict and its effect on that most precious of natural resources—oil. Terrorism in its many forms became an increasingly popular tool of various individuals, groups, and even nations. The multinational corporation also became a larger force in world affairs.

At home, turmoil was everywhere. The Nation experienced a civil rights revolution, race riots, antiwar demonstrations, and political activism on college campuses. Two national leaders were assassinated. A Vice President and then a President resigned in disgrace. With rising prosperity and population increases in the Sunbelt and the declines of older, northern cities, marked regional differences emerged. Energy prices soared following establishment of the OPEC car-

tel and the Arab oil embargo. The nickel candy bar went the same way as the 30-cent gallon of gas, and inflation replaced unemployment as the foremost domestic economic concern.

The basic texture of society underwent change. Women took major steps toward a more equal role. The post-World War II baby boom worked its way through the education system and began affecting the demand for housing, transportation, and other essential services. Couples waited longer to have children and then had fewer. The basic family structure came under increasing strains and the divorce rate increased dramatically. As society became more complex, many persons sought a simpler way of life. The average age of the population slowly increased, and issues affecting the aged attracted greater attention.

This was also a period of great technological achievement and challenge. Men landed on the moon and returned safely to earth. Unmanned spacecraft traveled to many planets, soft-landed on Mars and Venus, and sent back pictures and scientific data. Test-tube babies were born. Scientists unlocked some basic secrets of life and began developing whole new life forms. Yet science failed to cure some problems and seemed to create others. The swine flu immunization program protected Americans from an epidemic that never occurred and had to be canceled when it was linked to paralysis and death. Three Mile Island dramatized the dangers inherent in nuclear technology if not properly used and controlled. Environmental pollution became a matter of great concern.

As the 1970's came to a close, the limits of the Nation's growth were more evident, but citizens had just begun the painful process of adjusting their living habits and expectations. The future suddenly seemed not nearly as bright, and many were beginning to question the capacity of Government and other institutions to cope with the issues and problems of the day.

## Changes In The Federal Government

The 1960's and 1970's were decades of great growth in the Federal Government and centralization of power in Washington. Elmer Staats became Comptroller General during the 89th Congress, which President Lyndon Johnson termed the most productive in the 20th century. The President set the tone for that Congress in June 1964:

*We stand at the edge of the greatest era in the life of any nation. For the first time*

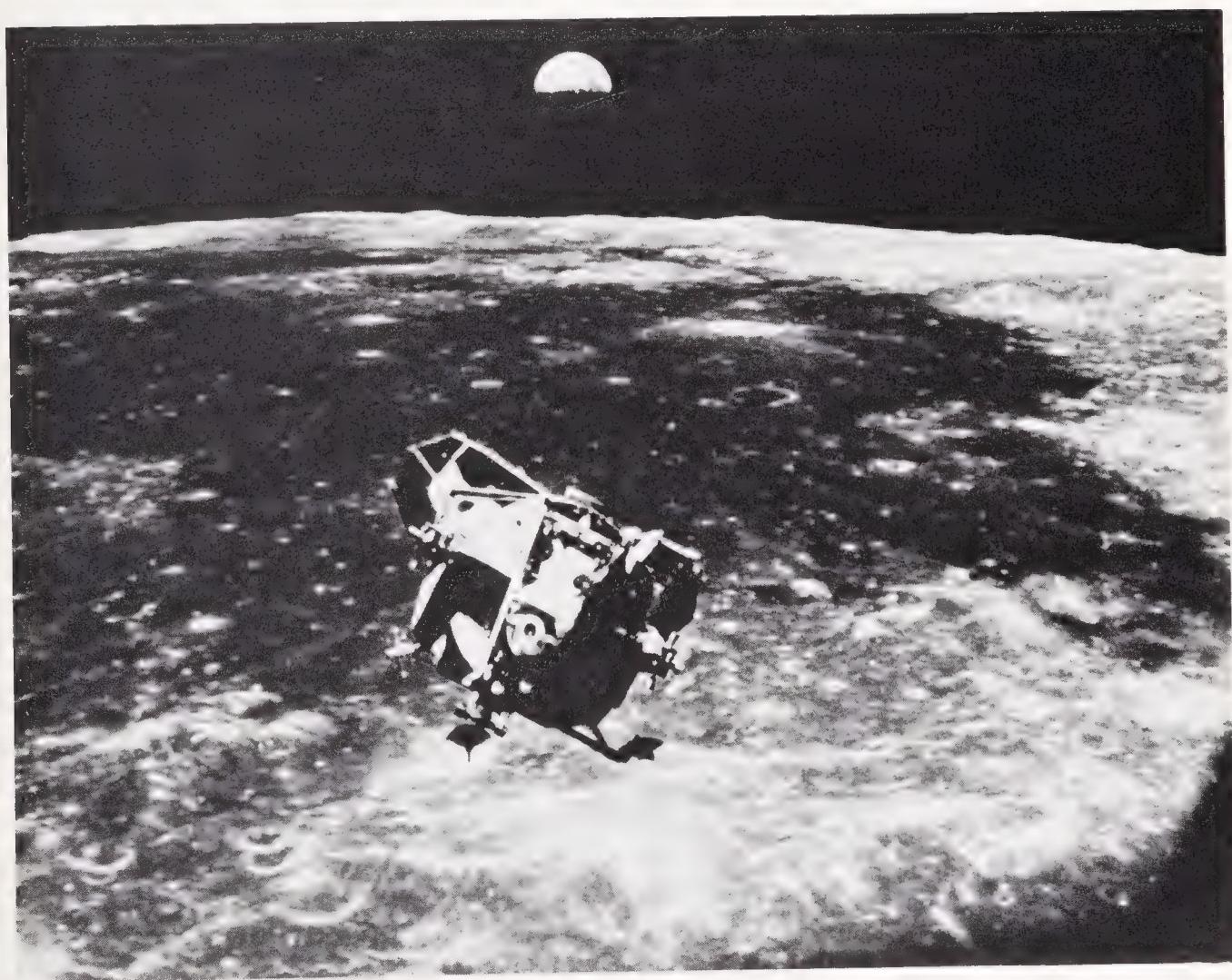
*in world history, we have the abundance and the ability to free every man from hopeless want, and to free every person to find fulfillment in the works of his mind or the labor of his hands.*

*The nation, this people, this generation, has man's first chance to create a Great Society; a society of success without squalor, beauty without barrenness, works of genius without the wretchedness of poverty. We can open the doors of learning. We can open the doors of fruitful labor and rewarding leisure, of open opportunity and close community—not just to the privileged few, but to everyone.<sup>1</sup>*

By the end of 1966, the Government, under Johnson's direction and with the Congress' co-operation, had embarked on a course as chal-

lenging to American society as was the New Deal of the 1930's. Consider the scope of legislation enacted by the 89th Congress:

- An antipoverty program and a new Office of Economic Opportunity.
- Voting rights.
- A broad housing program, including rent subsidies.
- Aid to primary and secondary schools and college scholarships.
- Appalachian regional development.
- Regional medical centers.
- Programs to combat air and water pollution.
- Grants for beautification of city parks and streets.
- A new foundation for the arts and humanities.



**MEN LANDING ON THE MOON** highlighted the technological advances of this era. *NASA Photo*

These laws were enacted during a time of major and growing expenditures for the Vietnam War that eventually totaled more than \$150 billion, yet the financial commitment to these initiatives also grew substantially. In 1965, the Federal Government spent \$7.6 billion, or 6.4 percent of the budget, on education, community development and housing, and health and welfare. By 1970, spending for these programs totaled \$29.7 billion, or 15 percent of the budget. Even discounting for inflation, these expenditures tripled in 5 years.<sup>2</sup>

Along with this growth came a trend toward decentralizing the responsibility for carrying out the programs, a trend that was to complicate the question of accountability for program results. It was not the Federal Government, but State and local governments, nonprofit organizations, and private contractors which were called on to provide services to the people. In many cases, Federal funds were merged with financing from other sources, and policy development and implementation became a joint responsibility.

The Government followed a "services" strategy, rather than an "incomes" strategy, in attempting to serve the needs of the people who were the targets of the new legislation. This brought into the Government large numbers of social scientists, health care administrators, and other professionals to run the programs; aid State and local governments; and, in some cases, deliver the services. In short, the Government's work force changed, necessitating changes in the way programs were reviewed and evaluated.

In the late 1960's, the growth in domestic programs slowed somewhat as it became increasingly evident that the Federal budget could not finance major new social programs and the costly Vietnam War at the same time. Attention shifted to environmental and consumer issues. The Congress enacted flammable fabric safeguards, a truth-in-lending statute, the National Environmental Policy Act, and occupational safety and health legislation. Riots in the cities, campus unrest, and rising crime rates spurred anticrime legislation and law enforcement assistance to States and localities. Laws prohibiting most interstate sales of firearms and combating organized crime were enacted.

As the roles of Government changed and grew, the Congress turned toward new organizational and institutional arrangements. In addition to creating two new Cabinet departments in the mid-1960's (Housing and Urban Development and Transportation), the Congress authorized the Corporation for Public Broadcasting to oversee the public television network, an independent U.S. Postal Service to deliver the mail, and the National Rail Passenger Corporation (AMTRAK) to take over rail passenger service. The Intergovernmental Cooperation Act of 1968 and general revenue sharing enacted in

1972 formalized the growing interdependence of the Federal Government and its State and local counterparts.

The early 1970's also featured a growing conflict between the executive and legislative branches—each controlled by a different political party and government philosophy—over which branch should establish policy and which should carry it out. Although the separation of powers is embedded in the Constitution, accommodations between the two branches that had made the process work began to break down. An early action was the repeal of the Gulf of Tonkin resolution. As the Vietnam War escalated, the Congress became increasingly concerned about the level of total Federal spending and enacted a succession of rather ineffective expenditure ceilings. By late 1972, the issue reached a turning point when the Congress failed to agree on a \$250 billion spending ceiling for fiscal year 1973, but created a special joint study committee on the budget. This started the actions that eventually led to establishing a new congressional budget process and strict controls on the impoundment of funds by the executive branch.

Watergate and the impeachment of President Richard Nixon dominated the Congress' attention for nearly 2 years. More than any other event in recent times, the Watergate break-in and subsequent coverup focused the Congress' attention on its own strengths and limitations vis-a-vis the executive branch. The Senate Select Committee, chaired by Senator Sam Ervin, contributed greatly to disclosing the story, and the House Judiciary Committee acted with great courage on impeachment. But it was the special prosecutors, the courts, and the news media that uncovered much of the damaging evidence. Although the President was eventually forced out of office, he successfully resisted the efforts of an all but united Congress to obtain data essential to fully disclosing key occurrences surrounding Watergate. This unfortunate affair catalyzed congressional action on many fronts, including the 1973 War Powers Act, the 1974 Budget Act, and further campaign finance reform measures. Eventually, many statutes, rules, and regulations were put in place and a host of other actions were taken to make Government more open, more ethical, and more democratic.

Following Nixon's resignation, world events soon brought about a refocusing of attention on policy matters. The Congress grappled with the unwieldy energy issue. It enacted a series of laws providing authority for many new initiatives and establishing new governmental units—the Federal Energy Administration, the Energy Research and Development Administration, and eventually the Department of Energy—but it never seemed to get on top of the issue. As the decade closed, however, the Congress took major steps to accelerate construction of priority energy proj-

ects, recover oil companies' windfall profits, finance synthetic fuel development, and decontrol fuel prices.

Economic issues also needed more attention as the Congress entered the last half of the 1970's. Major legislation included the Trade Act of 1974; Federal aid to New York City; tax cuts, incentives, and reforms; and social security financing reforms. Inflation, unemployment, and decline in productivity became increasingly serious problems that defied a common solution. By the close of the decade, the Federal Government was increasingly being called upon to protect industries threatened by imports, provide antirecession assistance, and shore up State and local governments and U.S. companies in financial trouble.

The approval by California voters of Proposition 13, sharply limiting State property taxes, highlighted popular reaction to the growth of government and increased intrusion in the affairs of businesses and individuals. Congressional responses to this trend included a series of regulatory reform measures, proposals to limit total Federal spending by law or constitutional amendment, increasing use of the legislative

veto, and providing more attention to its oversight responsibilities.

Thus, this period exhibited great growth in Federal Government responsibilities, strong reaction to governmental inefficiencies, and a growing sense that our problems transcended the Government's ability to cope with them. In contrast to the optimism, energy, and hope expressed by Lyndon Johnson in 1964, President Jimmy Carter perceived a fundamental threat to the Nation, a crisis of confidence, in the summer of 1979:

*The erosion of our confidence in the future is threatening to destroy the social and political fabric of America. \* \* \* Our people are losing \* \* \* faith, not only in government itself but in the ability as citizens to serve as the ultimate rulers and shapers of our democracy.<sup>3</sup>*

Carter proposed ways the Nation could regain its confidence and persevere. Although many did not share his assessment of the situation, no one could deny that major challenges faced government in the 1980's and that a time of possibly great change lay ahead.



**SENATE WATERGATE COMMITTEE** hearings were the focus of national attention in 1973.

## The Congress In 1966 And How It Evolved

The Constitution established the Congress as a coequal branch of Government and included among its powers the authority to assess and collect taxes, regulate interstate and foreign commerce, coin money, establish post offices, declare war, and maintain the Armed Forces. Working largely through a system of about 50 standing and special committees, the national legislature enacts laws authorizing Government programs, establishing organizations to carry them out, and making appropriations to fund them. It also oversees execution of the laws.

### EXECUTIVE DOMINATES THE POLICYMAKING PROCESS

Although the separation of powers doctrine provides for the Congress to make the laws and

the President to carry them out, even from the beginning, the two branches were involved in each other's functions. Even though the Congress sometimes played the dominant role in establishing government policy during the 19th century, the initiative for defining the Nation's problems and recommending solutions became firmly established in the executive branch during the 20th century. The executive branch conducted foreign policy, proposed major new legislation, and drafted the budget. War and other emergencies caused the Congress to grant the President many new and broad powers to act unilaterally. The Congress increasingly exercised its influence through checks and balances—questioning, amending, delaying, or negating the executive's actions. The judicial branch also became more actively involved in interpreting the meaning of laws and ruling on their constitutionality.

## Oversight: Its Increasing Popularity In The Congress

The Congress has exercised oversight as far back as the Whiskey Rebellion in 1792, but this function has traditionally taken a back seat to other congressional activities, such as enacting legislation and servicing constituents. The picture changed somewhat during the 96th Congress, led in part by House Speaker Thomas P. O'Neill.

The **National Journal** reported that even before the 96th Congress opened, Speaker O'Neill had commented to a group of congressional aides that: "There are so many programs in this government of ours that are obsolete in nature and we have done nothing about them. \* \* \* America is crying for us to put oversight to work and that is what we are going to do in this Congress."

Where effective oversight was exercised in the past, it was usually the result of initiatives by a single committee or member. Indeed, some have made reputations on their oversight work. Notable examples were the Senate Committee on Agriculture and Forestry, a pioneer in evaluation, and the Subcommittee on General Oversight and Alaska Lands of the House Committee on Interior and Insular Affairs, whose staff several years ago produced one of the first oversight manuals. Members noted for their oversight work include Senator William Proxmire and former Representatives H. R. Gross and John E. Moss. Over the years, the Congress has considered various proposals to make oversight more systematic and widespread, but it has generally backed away from placing specific requirements on its committees.

GAO has strongly supported strengthening congressional oversight, believing it can be improved without new legislation by better analysis of proposed legislation, inclusion of oversight requirements in legislation, more oversight of program design and regulation development, and better use of program evaluation information. It has also supported the objectives of general oversight reform proposals, e.g., modified sunset legislation, because new laws could help translate congressional commitment into better oversight efficiently and systematically. The Office, of course, supports existing oversight efforts through its reports and testimony and other less formal assistance to committees.

The trend toward greater oversight activity in the 96th Congress was reflected in figures in a status report published by the House leadership:

The record of the first session \* \* \* shows that formal oversight activity of congressional committees and subcommittees have increased by approximately 25 percent over such activity in the 95th Congress and by more than 50 percent over the 94th Congress—an important and dramatic trend for the Congress as a governing institution.

Whether or not the Congress enacts oversight reform legislation, the trend toward increased oversight will likely continue as long as there is widespread concern about the effectiveness of government programs and the total level of Federal spending.

Congress gradually came to recognize its need for more resources. By the mid-1960's, an essentially reactive Congress had coped with the strong policy initiatives of at least three aggressive Presidents—Franklin Roosevelt, Harry Truman, and John Kennedy. In 1966 it was in the process of digesting the almost overwhelming legislative agenda of a fourth President—Lyndon B. Johnson. Unfortunately, the Congress did not have an information network and other resources needed to respond effectively. Instead, it had to rely heavily on the executive branch's extensive information network for reports, testimony, and other information. The Congress slowly recognized that it needed independent sources to respond to its needs and to check out the biases of those sponsoring new programs or protecting established activities. As trust between the Congress and the executive branch broke down almost completely during the Watergate years, the Congress' dependence on the executive branch became intolerable, and it took steps to increase its already expanding resources.

### THE CONGRESS MOVES TO REFORM ITSELF AND STRENGTHEN ITS ROLE

In asserting its status as a coequal branch, the Congress is sometimes hampered by its own decentralized organization. The executive branch can speak with one voice—the President's. The judicial branch acts ultimately through nine Supreme Court justices deciding cases as a unit. The Congress, on the other hand, consists of 535 members and more than 300 committees and subcommittees. It acts as a unit when enacting legislation, but the expression of its institutional needs is ultimately left to the more than 800 entities—committee, subcommittee, and member offices—that constitute it.

Even though policymaking powers had largely drifted to the executive branch, concerns about the Congress' effectiveness in carrying out its constitutional role periodically came to the forefront and institutional reform ensued. Two early examples are the Budget and Accounting Act, 1921, and the Legislative Reorganization Act of 1946. When Elmer Staats was appointed Com-



**THE SENATE** underwent many changes, including new party leadership following the 1980 elections.

National Capitol Historical Society

troller General, another such movement had already begun. In 1966, the Joint Committee on the Organization of Congress, established the previous year, recommended several reforms to help the Congress cope better with its increased workload, including

- steps to curtail the power of committee chairmen, open committee sessions to the public, and create several new committees,
- limitations on Senate committee assignments designed to decrease the senators' workloads, and
- adoption of a 5-day congressional workweek.

As a step toward enabling the Congress to regain the initiative in the budget process, the Committee also recommended that GAO help the Congress locate and summarize budget data and conduct cost-benefit studies.<sup>4</sup> Essentially, the Committee was pointing toward what became the central themes for GAO in the next 15 years—finding out whether Government programs were working as they were intended and providing relevant information when the Congress needed it.

The Congress took 5 years to translate some of the Committee's recommendations into law. The Legislative Reorganization Act of 1970 fell far short of some reformers' expectations, but it did generate changes in congressional procedures, enlarge congressional staffs, and strengthen support agencies, including GAO. (This act is discussed further on p. 12 and in ch. 8.)

Institutional reform gathered momentum in the 1970's. In 1971, the House adopted modest changes in the seniority system and changed its rules to permit more recorded votes on legislation. Two years later, the House Democratic Caucus began subjecting committee chairmen to reelection by a publicly recorded vote every 2 years. The move to reduce the power of committee chairmen climaxed in 1975 when the large freshman class in the House helped depose three senior chairmen—Wright Patman (Banking), F. Edward Hebert (Armed Services), and W. R. Poage (Agriculture). Although the Senate did not depose any of its chairmen, it also modified its rules for appointing committee chairmen and ranking minority members.

Both Houses conducted special studies of their committee structures. In the House, a select committee headed by Congressman Richard Bolling proposed sweeping changes in committee jurisdictions, limiting members to serving on one major committee, and increased emphasis on oversight. In 1974, the House rejected this proposal for a milder one, but the changes adopted included an increase in the number of subcommittees, referral of bills to more than one committee at a time, and across-the-board subpoena authority for all committees. Three years later, the Senate reorganized its committee struc-

ture, by reducing the number of committees from 30 to 25 and limiting the number of committees and subcommittees on which a member could serve.

Accompanying the procedural and organizational reforms were large increases in congressional staff and growth in the number and power of subcommittees. According to the "Congressional Quarterly," the legislative branch had more than 38,000 employees (including those in support agencies) in 1979, a huge increase since the mid-1960's. The chart below shows the growth in House and Senate staff between 1965 and 1978.<sup>5</sup>

House and Senate committee aides, who accounted for much of the growth, increased from 1,210 in 1967 to 3,052 in 1977 (a 152-percent increase). Not only did the staff available for all Senators increase, but for the first time, the Senate also authorized a committee staffer for each Senator on the committee. And as the number of subcommittees grew, so did the availability of staff for those who became subcommittee chairmen.<sup>6</sup> In addition to the committees, ad hoc informal groups, such as the Democratic Study Group, were formed in each House to assist members in matters of special interest. The personal staffs of members in both Houses also grew markedly to support the policymaking function, casework, assistance on Federal projects, and press relations.

Congressional staff expertise has generally risen over the years due to the greater need for specialization and more technical sophistication. Also, staff resources have been more widely distributed, to the benefit of junior and minority party members.<sup>7</sup>

The effect of congressional reform and staff growth on GAO is hard to measure, but at least two possibilities occur. First, the larger number of staff have a greater appetite for information, which tends to increase and diversify GAO's workload. Second, the Congress has strengthened its own capability to conduct analyses and investigations of Government activities. This provides additional "competition" for GAO, especially with regard to those committees and members who are either unaccustomed to working with the Office or dissatisfied with the support received in the past. But overall, the trend has been toward a marked increase in demand for GAO services. (See ch. 2.)

The Congress found itself in the midst of an information explosion. Accompanying the congressional staff growth was the proliferation of lobbying groups, growth of Washington law firms, establishment of public interest groups, and development of various independent research organizations. Even the Federal bureaucracy increased its resources as a whole new cadre of professionals joined the Government to administer the new social programs and evaluate their results.

## Figure 1-1

### Growth in Legislative Branch Support Staff, 1967-1977

Congressional Staff	1967	1970	% increase 1967 to 1970	1977	% increase 1970 to 1977
Members					
Senate	1,749	2,299	31.4	3,903	69.8
House	4,055	4,545	12.1	6,939	52.7
Subtotal	5,804	6,844	17.9	10,842	58.4
Committees					
Senate	621	695	11.9	1,184	70.3
House	589	705	19.7	1,868	165.0
Subtotal	1,210	1,400	15.7	3,052	118.0
<b>Total</b>	<b>7,014</b>	<b>8,244</b>	<b>17.5</b>	<b>13,894</b>	<b>68.5</b>
<b>Support Agencies</b>					
Congressional Budget Office	a	a	--	208	oc
Congressional Research Service	b	323	--	763	136.2
General Accounting Office	4,216	4,471	6.0	5,105	14.2
Office of Technology Assessment	a	a	--	151	--
<b>Total</b>	<b>4,216</b>	<b>4,794</b>	<b>13.7</b>	<b>6,227</b>	<b>29.9</b>

**NOTES:**

a Agency not established at this date.  
b Only the predecessor agency, the Legislative Reference Service existed.

**SOURCES:**

Susan Hammond, "Congressional Change and Reform: Staffing the Congress," in *Legislative Reform, Leroy N. Rieselbach, ed. and U.S. Government Budget Appendix, FY 1979.*

## GAO In 1966 And How It Got There

Where the Office stood in 1966 was best summed up in testimony given the previous year by Acting Comptroller General Frank H. Weitzel before the Joint Committee on the Organization of Congress:

We have over 2,000 professional accountants, auditors, and investigators, many of whom are certified public accountants. We feel that with the breadth of experience that this group of highly trained individuals can bring to bear we are capable of assisting the committees in all important aspects of their investigative and oversight responsibilities. (Emphasis added.)<sup>18</sup>

How had GAO reached this stage in its development, and how prepared was it to assist a reawakening Congress? Answers are necessary to understand GAO's contributions during the 1966-81 period, but they will be discussed only briefly here. Mosher extensively describes GAO's early history in his book and several others have written on the subject.

### THE EARLY YEARS

According to Mosher, GAO's antecedents reach back to the legislative system of appropriations established by the British Parliament in 1688. GAO's American ancestry dates back to the beginning of the Republic, but the Office came into existence as a separate entity when the Budget and Accounting Act became effective July 1, 1921. The act established GAO as an agency "independent of the executive departments" to review, control, and audit Government accounts, and report on operations throughout the Federal Government.<sup>19</sup>

Starting with about 1,700 employees inherited from the Treasury Department and a budget of about \$3 million, the first Comptroller General, John R. McCarl (1921-36), built an agency that concentrated primarily on making centralized voucher audits and rendering decisions on the legality of the disbursement of Federal funds. GAO's early goals were to ensure strict compliance with the laws, accuracy and honesty of executive agency employees, and conformance with accounting forms and procedures prescribed by GAO. The Office concentrated its efforts on exercising administrative controls directly over executive agencies and did little reporting to the Congress on agency operations or assisting

the Congress in carrying out its own duties. The work was centralized in Washington, D.C.

GAO's role expanded and changed considerably during the tenure of its second Comptroller General, Lindsay C. Warren (1940-54). Government growth during the New Deal years and World War II made it impractical for the Office to continue auditing every Government voucher at a central location in Washington. In addition, two important laws changed GAO's role dramatically. The first was the Government Corporation Control Act of 1945, which directed the Office to audit Government corporations annually using commercial audit techniques. This required hiring professional accountants and started the process of replacing the existing staff of clerks, investigators, and attorneys. In addition, the act necessitated onsite audits, a practice leading to the formation of a large field staff.

The second key law was the Budget and Accounting Procedures Act of 1950, which authorized GAO to review Federal agency accounting procedures and controls in lieu of checking thousands of ledger accounts. Rather than prescribing detailed accounting forms and requiring their use, GAO was authorized to prescribe ac-

counting "principles and standards" to be observed by each executive agency.

Out of these changes grew the Office's interest in developing a concept known as the comprehensive audit. Outlined in late 1951—in what became known as the Westfall report—the purpose of the comprehensive audit was to determine how well each Federal agency carried out its financial responsibilities, which included spending funds only for clearly authorized programs and conducting the programs efficiently and economically. This type of audit went well beyond what was necessary to certify the accuracy of an agency's financial statements. The comprehensive audit included such steps as (1) studying the relevant laws and pertinent legislative history, (2) reviewing agency policies, procedures, and practices, (3) evaluating the effectiveness of applying public funds, and (4) verifying individual transactions. All important deficiencies encountered during such audits were to be fully explored, developed, and reported with recommendations for corrective action.<sup>10</sup>

Making a comprehensive audit entailed focusing on the financial management of a Federal agency and reporting the results of each audit



**PRESIDENT HARRY S. TRUMAN** signs the Budget & Accounting Procedures Act of 1950 while Comptroller General Lindsey Warren (behind the President) and others look on.

as it was completed, rather than in an annual report as contemplated in the 1921 act. To facilitate the audits, GAO established audit staffs at Federal agency headquarters and at locations outside Washington, D.C. In 1952, a formal system of regional offices was established and the audit procedures were codified in the Comprehensive Audit Manual. So large was the Warren legacy that GAO was still digesting the changes nearly 30 years later.

GAO's transformation continued. From a total of more than 15,000 in 1946, GAO's staff size shrank to about 8,000 in 1950, to 6,000 in 1954, and to a low of 4,100 in 1966. In 1956, the accounting, auditing, and investigative functions were consolidated into two large divisions—Defense and Civil. A third, the International Division, was added in 1963. Each of these divisions was largely autonomous and adopted its own auditing approaches consistent with broad guidance provided by a small policy staff. Under Comptroller General Joseph Campbell, a prominent certified public accountant with roots in the private sector, the Office modeled itself more and more after a large accounting firm.

### HOLIFIELD HEARINGS

In 1951, the Congress granted GAO authority to examine the records of private companies entering into negotiated defense contracts, and in 1955, GAO's field offices began audits of negotiated, fixed-price contracts at individual contractor installations. Taking increasing interest in this contract work, the Congress broadened GAO's authority in 1962 by enacting the Truth-in-Negotiations Act. This legislation, intended partly to safeguard the Government against inflated cost estimates in negotiated cost contracts, further stimulated GAO's defense contractor auditing.

Departing from the broad concepts of the comprehensive audit, GAO conducted hundreds of individual audits at contractor locations. Inside the agency, heavy emphasis was placed on producing large numbers of reports. Often several reports were issued covering the same deficiency found over and over again in single audit contracts. The reports named names and often sought contractor refunds for overpricing.

This tack eventually provoked strong reaction from the Defense Department and defense contractors during a series of hearings held in 1965 by the House Committee on Government Operations' Military Operations Subcommittee. The hearings were chaired by Congressman Chet Holifield, a veteran congressman with a deep interest in GAO. Witness after witness attacked GAO's approach to auditing defense contracts, particularly its efforts to seek voluntary refunds, publicize only deficiencies, identify individual companies and officials, and report on cases of alleged wrongdoing referred to the Justice Department for further investigation. Aside from

GAO officials, one of the few witnesses who supported GAO's role was Elmer B. Staats, then Deputy Director of the Bureau of the Budget. He was several months away from any inkling that he would be appointed Comptroller General, when he said:

\* \* \* the President and the Bureau of the Budget regard GAO reports as an important source of assistance in working toward our goal of strengthened agency management. In this same regard, I would like to emphasize that there has been a very substantial amount of cooperative and joint effort between the General Accounting Office and the Bureau of the Budget. We regard this arrangement as a very healthy development.<sup>11</sup>

Ten months later, as Staats was assuming his new duties as Comptroller General, the House Government Operations Committee issued its report on the hearings. A draft of the report, sharply critical of GAO's defense contract audits, had previously been furnished to GAO for comment. In a letter to Chairman Holifield, dated 4 days before Staats assumed office, Acting Comptroller General Frank Weitzel had outlined steps being taken to respond to the criticisms. Thus, instead of castigating the Office, the final Committee report primarily described changes in GAO contract audit policies and procedures and improvements made since the hearings. In his book, Mosher notes some of the changes:

- GAO would produce broader studies focused on the causes of deficiencies rather than publicizing individual cases. Therefore, the reports would be fewer in number and more comprehensive.
- It would emphasize constructive and corrective changes for the future rather than past errors.
- It would more carefully guard confidential business information and would report on such information only after careful review by top-level GAO officials.
- It would not include names and titles of alleged official offenders and recommendations for discipline in its reports.
- It would not mention referrals of cases to the Department of Justice in its reports.
- It would phrase its report titles in more constructive and less controversial terms.<sup>12</sup>

Opinions differ about the impact the hearings had on GAO. Some in GAO at the time believe, in retrospect, that the long-range effects were not significant, but others saw the immediate impact as rather traumatic. The hearings took place at a time when the Office's contract work might logically have been reduced because the Defense Contract Audit Agency had just been cre-

ated, but one source asserts that the hearings caused virtual discontinuance of defense contract audits. Because this work had been conducted largely at GAO's field offices, the cutback, according to this source, diminished the status and role of the field offices vis-a-vis the headquarters staff.<sup>13</sup>

Whatever the trauma, the hearings did help usher in a period of broader scale, more results oriented audits and evaluations. The Committee report also illustrated that the Congress does not always act with one mind in providing guidance to GAO. While the 1965 Joint Committee on the Organization of Congress was urging GAO to undertake a more policy-oriented, analytical role in reviewing the budget, the Holifield message seemed to be that GAO should exercise more care when venturing out of its traditionally narrow financial management territory. As discussed in chapter 2, by 1969 the Congress—led by Senator William Proxmire and the Joint Economic Committee—was again urging a heavy GAO presence in defense contracting.

## The Congress' Increasing Demands

Despite those who urged GAO's return to a more limited view of its responsibilities, events in the Congress and in Government made a return to the past impossible. Events described throughout this document illustrate how the Congress translated its growing need for its own information network into new requirements on GAO. Some took the form of statutory mandates for reviews of individual programs, and others involved enactment of broad new statutory powers. Here are the highlights in chronological order.

### SENATE FINANCIAL DISCLOSURE (1968).

The Senate amended its rules to require that senators, candidates for the Senate, and Senate staff earning more than a specified income file each year with the Comptroller General a confidential statement of financial interest. In 1977, the Senate augmented this largely custodial function by requiring GAO to (1) assist persons in completing their financial disclosure statements and (2) audit a randomly selected sample of statements each year. A year later, the Congress approved legislation establishing uniform financial disclosure procedures for top officials in all three branches of Government and relieved GAO of the responsibility to audit individual statements, but required the Office to report on the effectiveness of the legislative public disclosure process by November 1980.<sup>14</sup> Thus, GAO was asked to help enforce ethics provisions relating to some of its bosses.

### COMMISSION ON GOVERNMENT PROCUREMENT (1969).

The Congress established this commission of 12 persons, including the Comptroller General, to study and report on the Government's procurement policies and practices. Staats and GAO staff were heavily involved in a 3-year study and subsequent followup on the Commission's many recommendations. Although Staats had previously served on the Budget Concepts Commission, this was the first of several commission assignments mandated by statute for the Comptroller General and other GAO staff.

### LEGISLATIVE REORGANIZATION ACT OF 1970.

A landmark law for GAO, this legislation put into effect some of the recommendations of the 1966 Joint Committee on the Organization of Congress. The Office was now to review and analyze the results of Government programs and activities on its own initiative or when requested by a cognizant committee. GAO was to have available experts in making cost-benefit studies and was to act as the Congress' agent in establishing standardized information and data processing systems. (See ch. 2.) While not giving GAO any basic statutory authority beyond the 1921 and 1950 acts, this reorganization act confirmed congressional interest in having GAO evaluate the results of ongoing Government programs.

### PRESIDENTIAL ELECTION CAMPAIGN FUND ACT OF 1971 AND FEDERAL ELECTION CAMPAIGN ACT OF 1971.

GAO became a direct participant in the political process when the Congress enacted these laws establishing new procedures for the financing and disclosure of Federal campaign expenditures. Both laws assigned responsibilities to the Comptroller General, mainly relating to the disclosure of campaign expenditures for Presidential and Vice Presidential candidates. These duties were transferred to an independent Federal Elections Commission in 1974. (See ch. 8.)

### TRANS-ALASKA PIPELINE AUTHORIZATION ACT (1973).

In addition to authorizing the oil pipeline, this law required the Comptroller General to review the information required by independent regulatory agencies to identify duplication and to minimize the regulatory burden on businesses and others. Although GAO did not want this responsibility, the Congress was increasingly concerned about executive agency influence over the operations of independent regulatory agencies—considered creatures of the Congress by some. The Congress mandated GAO to act as its agent for a specialized task thought unsuited to the executive branch.

### **CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.**

This law established the congressional budget process, enlarged GAO's program evaluation role, clarified and strengthened the information systems responsibilities given the Office in the 1970 act, and involved the Comptroller General in congressional control over the President's authority to impound funds. Just as significant for GAO as these expanded powers was the decision by the Congress not to involve GAO directly in the new budget process. (In 1966 the Joint Committee had urged that GAO be an integral part of the Congress' effort to regain the initiative in the budget process.) Instead, three new entities were created—the Congressional Budget Office and the House and Senate Budget Committees.

### **ENERGY POLICY AND CONSERVATION ACT (1975).**

Besides enacting new energy measures, this law authorized the Comptroller General to conduct "verification examinations" of information supplied to Federal agencies by those engaged in energy exploration, development, production, or distribution. For the first time, the Comptroller General could sign and issue subpoenas requir-

ing persons to submit information. Basically, the Congress asked GAO to ensure that the Government had accurate, reliable data on which to base energy decisions.

### **CHRYSLER LOAN GUARANTEE (1979).**

To forestall bankruptcy by the Chrysler Corporation, the Nation's third-largest auto maker, the Congress enacted legislation providing authority for up to \$1.5 billion in Federal loan guarantees. Final approval of the guarantees and their administration was vested in a five-person board with three voting members—the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Comptroller General. The law also authorized the latter to audit implementation of the act, a potential conflict of interest for the Comptroller General. The Congress, however, needed an independent official to help administer the program and to audit it, and only the Comptroller General qualified for both roles.

The role of the GAO, and of the Comptroller General, changed greatly during the 1966-81 period. The chapters that follow discuss what was accomplished during that period and what was done inside the Office to make it all possible.



**CHRYSLER LOAN GUARANTEE BOARD** posed challenges for GAO and the Comptroller General in 1980.

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# **Chapter 2**

## **Services To The Congress**

If for nothing else, the 1966-81 period will be remembered as a time when GAO expanded and strengthened its ties with the Congress. The services GAO provided to the Congress grew in size, scope, and stature during these years. In some ways, this growth was spectacular. For instance, GAO officials testified before congressional committees nearly 200 times in fiscal year 1979, compared with less than 30 times a year in the mid-1960's. As the professional staff grew from fewer than 2,500 to more than 4,000, GAO more than quadrupled the staff time expended on direct assistance to the Congress, and the number of reports and other forms of communication to committees and individual members grew similarly.

The basic types of services GAO provides in response to direct request by the Congress have not changed greatly in more than two decades. They include

- studies specifically mandated by statute;
- audits and evaluations of Federal programs and activities requested by committees and members;
- assignment of staff to committees;
- testimony at hearings;
- advice on pending legislation; and
- accounting, auditing, and advisory services for House and Senate financial and administrative operations.

Another service—predominantly new in the 1966-81 period—concerns identifying and responding to congressional information needs across the whole spectrum of Federal programs and activities.

In carrying out all these services, GAO's goal was to provide information that effectively serviced the Congress' needs as quickly as possible. To help meet this goal, GAO has increasingly emphasized the need for better communication between its staff and congressional requesters and has expanded and strengthened its congressional relations office. Direct contact with the committee staffs gave GAO staff a better sense of the Congress' needs. Recognizing the Congress' increasing need for information on complex issues, GAO has increased its capability to tackle such issues.

### **GAO's Basic Responsibility To Serve The Congress**

Since GAO was established in 1921, there have been many disputes about such matters as whether the agency is an independent office or an integral part of the legislative branch and whether it should carry out certain executive functions. One thing that has never been in dis-

pute, however, is GAO's duty to provide various services when requested by the Congress or its committees and members.

The primary purpose of the Budget and Accounting Act, 1921, was to establish a unified budget system in the executive branch, but the Congress recognized that, in doing so, a counterbalance was needed to ensure that the legislative branch retained control of the purse.<sup>1</sup> Thus, the 1921 act gave the Comptroller General broad investigative powers and required him to

\* \* \* make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures.<sup>2</sup>

It was clear that the Congress wanted its committees dealing with the public purse to have GAO's services available to them. However, during the first 20 years or so of GAO's existence, the agency neither provided much direct assistance nor encouraged committees to use its services. The picture changed in 1940 with the appointment of Lindsay Warren as Comptroller General. He was a Congressman from North Carolina, highly respected by his colleagues, who worked hard to foster closer ties between his agency and the Congress. By the 1950's, a tradition of providing direct assistance to the Congress had become firmly established and work was being done at the request of many committees. GAO also responded to individual members' requests, concerning not only such matters as claims before GAO but also investigations of Government activities. The Comptroller General's 1960 annual report summarized GAO's policy toward serving the Congress in these words:

One of the prime reasons the Congress placed the General Accounting Office in the legislative branch of the Government was to be assured of a reliable source of assistance in the financial area from an agency which was nonpolitical and independent of the executive branch. We feel, therefore, that our obligation to furnish assistance to the Congress, its committees, and Members is of the highest importance.<sup>3</sup>

The report said that GAO had furnished many special reports requested by committees and members on a wide variety of topics, had temporarily assigned more than 160 staff members to various committees, and had testified 37 times

in 1960. Proudly, the report noted that the House majority leader had said: "I have found the General Accounting Office reports to be objective, factual, and always in the public interest."

In the years that followed, however, all was not as well as the picture painted by that report. GAO staff continued to work closely with several committees, but the close ties with accounting and financial management and the limited size of GAO's staff, compared with its legislative mandate, made it difficult for the Office to respond to emerging demands for timely information and analysis of how Federal programs were working. Among some officials in GAO, there was an attitude that congressional request work often dealt with secondary or narrow subjects that provided few significant opportunities to improve Government operations or to save Federal funds. There was also concern that responding to such requests could result in embroiling GAO in political controversy and create pressure to produce a specific result. Nevertheless, GAO continued to give congressional request work high priority; it really had no other choice.

## A Changing Attitude Toward Serving The Congress

When he came to GAO, Elmer Staats enjoyed a good personal relationship with members of Congress and he intended to build on it. He sought to enhance GAO's role in providing direct assistance and to thereby strengthen the Congress' ability to deal with the issues of the day. A week after assuming office, Staats corresponded with every committee chairman to un-

derscore the importance he attached to GAO's responsibility to provide the Congress with accurate, independent reports and to assist committees and members as much as possible:

*I am fully aware of the close working relationship which has been developed through the years between your Committee and the General Accounting Office. I want to assure you that it will be my constant aim to continue and strengthen this relationship.<sup>4</sup>*

Besides writing these letters, Staats visited key congressional leaders. He was told by some that, although they thought GAO was doing a good job, not enough of its output was relevant to the issues facing the committees. In view of these comments and his own review of the basic laws that had established GAO and authorized its activities, Staats became convinced, as had others in GAO, that the Office, in some important respects, was not carrying out its job.

GAO began to increase its service to committees. During the 1960's, when the Congress itself was going through a reexamination, it was evident that many parts of the institution would be looking to GAO for help. In one of his first appearances before the Appropriations Committees in defense of GAO's budget request, Staats said:

*\* \* \* I feel very strongly that one of the ways we can increase our effectiveness is to work closely with all the committees and*



**GAO OFFICIALS AND THE HOUSE APPROPRIATIONS COMMITTEE STAFF** met annually in the early years of the 1966-81 period.

subcommittees so that we are relating our time schedules and the subjects of our audits as closely as possible to the interests and work of the committees.<sup>5</sup>

In this manner, he was declaring that GAO, in addition to responding to direct requests, would also direct its own work to committee interests as much as possible. GAO broadened its services through a variety of informal types of assistance, such as developing statements of legislative objectives and reporting requirements, providing informal briefings on GAO's ongoing and planned work, and assisting committees by developing questions and other materials for their own use in hearings. GAO's annual reports also highlighted such innovations as the establishment of a systems analysis staff in 1967 and an actuarial staff in 1969.

To be credible, GAO had to demonstrate it could, in fact, do the kind of work the Congress wanted done and present the results when they were needed. The Office had already established a good record as a reliable audit and investigative agency, but it had done little to assess program effectiveness or address the larger issues facing the Congress. The first real test of the GAO's commitment came in mid-1967 when the Office was required to investigate the Nation's war on poverty. A second test concerned GAO's willingness to undertake reviews of major weapon systems and their cost overruns. In this case, the Comptroller General and GAO staff worked with congressional committees to negotiate the most appropriate means of meeting congressional information needs. Both tests established a record of performance that carried over to other relationships between GAO and its congressional constituency.

## **REVIEW OF THE ANTIPOVERTY PROGRAM**

As discussed in chapter 3, congressional concern as to the effectiveness of the Government's antipoverty program resulted in a GAO mandate to investigate the program. Thus, for the first time, the Office was required to assess the impacts of a highly visible and politically controversial program. To meet this challenge, GAO made a major investment to complete the assignment within the tight deadline. The result, although not uniformly accepted on the Hill, showed GAO could contribute to the Congress' growing need for program evaluations.

## **NEGOTIATING MAJOR WEAPON SYSTEMS WORK**

By 1969 the Vietnam War and controversial defense projects, such as the antiballistic missile system, had aroused congressional concern about the cost and direction of the Nation's defense programs. That year became known as "the year

of the cost overrun" following revelations of major cost growth in weapon systems procurement, especially the C-5A aircraft.

Many congressmen were looking to GAO to help provide more authoritative information. The issue of how GAO would provide such assistance came to a head during consideration of the 1970 Military Procurement Authorization Bill. In debate on this bill, Senator Abraham Ribicoff pointed out that an information gap existed, especially for members not on the committees presiding over this legislation. Senator Richard Schweiker offered an amendment that would have required (1) the Defense Department to develop a system for reporting on major weapon systems contracts and (2) the Comptroller General to audit the reporting system and major contracts he thought appropriate for audit. This proposal, similar to ones introduced in the House, would have granted GAO subpoena power to obtain records from contractors, subcontractors, and procuring agencies.<sup>6</sup>

Earlier that year, the Joint Economic Committee had published a report that proposed several new GAO responsibilities in defense procurement, including (1) a comprehensive study of defense contractor profits and (2) periodic weapon acquisition status reports. At Committee hearings, the Comptroller General expressed reluctance to undertake most of these proposals because they required broad legislative authority and additional staff, but the requirement that GAO conduct a defense profits study eventually became law.

Staats described this period in a recent discussion.

*There were a whole spate of bills that had been introduced to require GAO to audit [defense contracts]. One of them said to audit any contract where the current estimate of cost is 10 percent in excess of the original estimate. Another one said 25 percent. Thousands of contracts would be involved. So we got concerned. Some of them got to be fairly serious. They would have absorbed all our manpower in GAO and we still couldn't have done it.*

*I was, of course, opposed to it. \* \* \* I finally concluded that GAO ought to take some initiative here, and I went up and talked to [Senator] Stennis and [Representative L. Mendel Rivers] to the effect that if this legislation could be headed off, I was willing to write both [Armed Services] Committees a letter saying that we would undertake reviews of the cost overrun problem, looking at the major defense contracts from the point of view of cost, performance, and schedules.*

Actually, there were two sets of letters. The first set, dated August 1, 1969, informed the

committees of GAO's plans to give increased attention to defense procurement and the specific types of reporting contemplated. It also requested that the Congress give "the most careful consideration" to such proposals as the Schweiker amendment. Nevertheless, the Senate adopted the amendment a week later by a one-vote margin, 47 to 46. In September, the Comptroller General wrote again to the House Armed Services Committee expressing outright opposition to the Schweiker amendment and assuring the Committee that GAO already had the authority to achieve the Schweiker amendment's intent. In other words, GAO supported the basic reporting concepts but thought it unwise to fix the requirement in law.<sup>7</sup>

The House voted down a similar proposal, and the conference committee on the procurement authorization bill dropped the Schweiker amendment. GAO worked closely with the committees to achieve this result and even provided the language for the conference report that asserted the requirement should not be fixed in law. The report also noted that the Defense Department was then perfecting a reporting system and that GAO planned to make selective audits of weapon systems contracts. In addition, Senator Ribicoff agreed to schedule hearings on GAO's capability to audit defense contracts. (See ch. 8.)

Shortly thereafter, the Defense Department completed implementation of its quarterly Selected Acquisition Reports System (SARS) begun in February 1968. GAO had already established a new operating group in July 1969 to review the major acquisitions, including contractor performance, which was only touched on in the SARS. In February 1970, GAO issued its first annual report on the cost, schedule, and performance status of 57 major weapon systems and on DOD's new acquisition system. The Office continued, modified, and expanded this work over the following decade, as discussed further in chapter 3.

## **Growth In Audits And Evaluations Requested By Committees And Required By Statute**

In the late 1960's and 1970's, the amount of work requested by congressional committees and required by statute grew substantially, not only in numbers but also in scope and variety. As their need for information grew, congressional committees became increasingly aware that GAO could provide competent and reliable information on Government programs, policies, and related subjects. In addition, the Congress began enacting several statutes a year mandating special one-time GAO studies or continuous monitoring of Federal program implementation. The

total number of reports issued to committees is shown in the chart below.

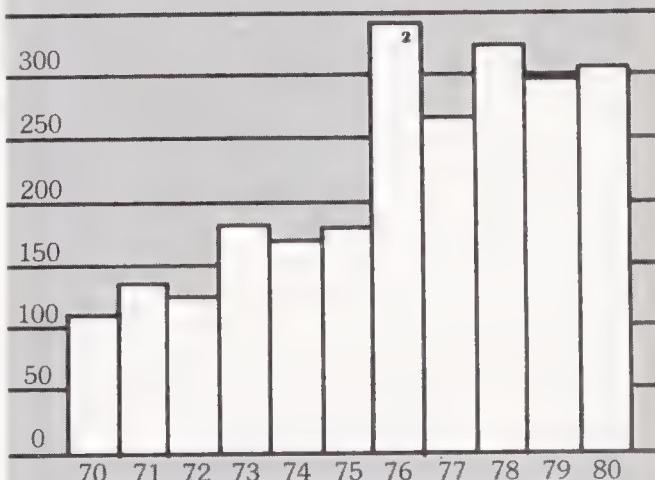
Providing assistance to a committee sometimes prompts a series of reports and congressional action to implement GAO recommendations. An illustration of how the process works follows.

The Social Security Amendments of 1965 made the Medicaid and Medicare programs effective on January 1 and July 1, 1966, respectively. These new programs, paying the hospital, nursing home and doctor bills of aged and indigent people, thrust GAO into the private health care sector and substantially increased congressional demands on its resources. The increased demand for GAO's assistance was due, in part, to the major growth in expenditures for these programs.

GAO's involvement started even before Medicare became effective. On May 3, 1966, the Chairman of the Senate Finance Committee asked the Office to review the Medicare reimbursement principles proposed by the Department of Health, Education, and Welfare for paying institutional providers, such as hospitals and nursing homes, and to report the results within 3 weeks. The report, which met the deadline, raised substantive questions related to policy and administration which were considered before the final regulations were promulgated.<sup>8</sup>

Two years later, the Senate Finance Committee asked GAO to look into reports that a group of teaching physicians at Cook County Hospital in Chicago had generated over \$1 million in fee-for-service payments under Medicare. The Committee requested that GAO complete its audit in only 6 weeks. A team from the Chicago Regional Office reviewed the circumstances involved in such payments and audited the med-

**Figure 2-1  
Reports on Congressional Request Assignments 1970-1980<sup>1</sup>**



Notes: <sup>1</sup> Separate data not available on reports to committees.

<sup>2</sup> For 15-month period ended Sept. 30, 1976.

ical records of a sample of 75 Medicare beneficiaries. GAO presented its preliminary report to the Committee on July 1, 1969, in nationally televised hearings, stating that the services had actually been provided by residents and interns at the hospital. This testimony received wide coverage in the media as it disclosed the first of many scandals that would rock the Medicare and Medicaid programs over the next decade.<sup>9</sup>

These two early landmark reviews, in which GAO delivered useful findings in demanding timeframes, established a close working relationship between the audit staff and the committees having jurisdiction over Medicare and Medicaid. At least 10 provisions in the Social Security Amendments of 1972 were attributable to GAO's work, including amendments providing for more effective utilization reviews, stricter conditions on payments for teaching physicians' services, cost-related reimbursement for nursing homes, and increased Federal funding for nursing home inspections.

Working for committees, however, was sometimes a mixed blessing. While some committees rarely requested GAO's assistance, others heavily burdened the Office with a series of requests that interrupted ongoing basic statutory work. Often the timeframes were demanding, and sometimes the subject matter did not appear as significant as the interrupted work spelled out in GAO's own program plans. Nevertheless, GAO benefited from the increased visibility, the additional clout of a committee request, and the increased prospects of action being taken on GAO's recommendations, since the committee had requested the analysis.

Occasionally, committee interest in requesting a GAO study was translated into a specific statutory requirement. Such requirements were sometimes enacted to appease program opponents or assure members that program results would be carefully examined. Other requirements were enacted simply to provide data on the outcome of needed governmental actions. GAO usually tried to convert proposed statutory requirements to committee requests to gain greater flexibility. It was not always successful, as the following list of some reviews required by statute indicates:

- A special \$200 million C-5A aircraft procurement contingency fund (quarterly reports required).
- Research, pilot, and demonstration programs related to the prevention and control of water pollution.
- A special supplemental food program for pregnant and lactating women.
- Policies, purposes, and objectives of the Nuclear Non-Proliferation Act of 1978.

Two further illustrations will show how mandated studies were conducted and what the results were.

## **DEFENSE INDUSTRY PROFITS STUDY (1971).**

As required by a 1970 law, GAO studied the profits of 74 large defense contractors and computed their before-tax average profit rates for both defense and comparable commercial work. Using three different methods, GAO found the rates of return on defense work averaged the same as or less than those on commercial work. It recommended the development of uniform guidelines for determining profit objectives on Government contracts, emphasizing the amount of contractor capital required rather than the existing practice of basing profits on a percentage of contract costs.<sup>10</sup>

The report was controversial since it did not support allegations of high defense industry profits. GAO's job was also made more complex because an early draft was leaked to the press and some asserted that the Office had yielded to defense contractor pressure and softened the final report. The Comptroller General vigorously denied these assertions in congressional hearings. Later, the Office tightened controls on report drafts, a move which has been only partially successful in preventing premature leaks.

## **HEALTH FACILITIES CONSTRUCTION COSTS (1972).**

Concerned with the high cost of constructing health facilities, the Senate Committee on Labor and Public Welfare adopted an amendment which became part of a 1971 law requiring GAO to study ways of reducing these costs for facilities receiving Federal assistance. Special attention was to be given to innovative techniques, new materials, and the possible waiver of unnecessarily costly Federal standards. Using a task force approach and assisted by a leading consulting firm, GAO undertook a broad-scale study of the many factors affecting construction costs.

GAO identified several weaknesses in the pre-construction planning process but found no substantive evidence that the Government's assistance program requirements themselves were inflating construction costs. A major feature of the study was the use of life-cycle cost analysis; GAO discovered that hospital planners generally did not use this approach in evaluating alternative construction plans. GAO concluded that life-cycle cost analysis was essential in the design of all hospitals. The report also discussed several ways of avoiding construction and increasing productivity of existing facilities.<sup>11</sup>

## **Working For Individual Members Of Congress**

No law requires GAO to provide assistance to individual members of Congress. Although proposals for such a law have been made over the years, the Office has always resisted them. Nevertheless, GAO's basic policy for many years has been to be as helpful as possible to all mem-

bers of Congress within the confines of staff resources and other work requirements.

As congressional desire for obtaining GAO assistance increased beginning in the late 1960's, both GAO and the Hill discussed setting limits on member requests. However, proposals limiting GAO's assistance to some specific category (such as matters affecting only the jurisdiction of the requesting Congressman) were rejected, and GAO continued to consider the merits of each request individually. Top management believed that legitimate interests, such as those of the minority party in the Congress or members particularly interested in specific constituencies like racial or ethnic minorities, should be served as well.

GAO undertook some major efforts on behalf of individual members. Sometimes the payoff was handsome, sometimes not. For example, work done for former Senate Majority Leader Mike Mansfield helped to bring about new controls on the types of research sponsored by the Defense Department. A request from several black congressmen in 1970 resulted in a report providing data on minority access and use of recreational facilities (golf clubs, swimming pools,

etc.) financed by the Farmers Home Administration. And an audit of the impact of Federal programs in the city of New Bedford, requested by Massachusetts Senator Edward Brooke, turned out to be a pioneering study of the Government's total impact on a given community. Nevertheless, GAO could never have met the potential demand from more than 500 congressional offices was and it had to ration resources devoted to most members' requests, which pertained to subjects of rather limited scope.

As direct assistance to the Congress increased rapidly in the years around 1970, GAO's appropriations subcommittees became increasingly concerned about the amount of effort GAO was devoting to congressional requests. At one point, Ernest Hollings, the South Carolina Senator heading one of these subcommittees, asked the Comptroller General whether he was using "good judgment and common sense" in responding to members' requests. Staats assured Hollings that if the work built up to a point where GAO thought it was "not feasible or manageable," he would go to the congressional leadership and the committees for assistance in holding



**THE COMPTROLLER GENERAL SIGNS** the report on health facilities construction costs. Looking on (standing l. to r.) are Robert Farabaugh, Kenneth Edmonson, David Hanna, Robert Tice, James Walsh, and James Martin, task force leader.

down the workload. He expressed doubt that it would ever reach the point that GAO would have to request special legislation.<sup>12</sup>

Indeed, the member request workload never did reach a point where controls became necessary. The work for members peaked out in the mid-1970's at an average of about 250 reports a year. The number of requests was more than twice that amount, but GAO was able to satisfy many by making informal inquiries, providing the products of other ongoing or completed work, or referring the requesters to Federal agencies or other information sources. The amount of GAO staff resources spent servicing member requests never exceeded 10 percent of the total. By 1979, the number of member requests had declined, resulting in only 100 formal reports to members that year.

## **Basic Legislative Requirements Work Also Served Congressional Information Needs**

Most of GAO's basic legislative requirements work—the jobs undertaken without a specific congressional mandate—relates in some way to congressional information needs. Basic legislative requirements work once was labeled "self-initiated" work, but the official nomenclature was changed to more accurately reflect the work's relationship to GAO's broad charter to serve the Congress. The Comptroller General's 1979 annual report was more specific:

*Because all of GAO's responsibilities flow from its enabling legislation and subsequent laws passed by the Congress, all of its work is, in effect, directed toward assisting the Congress. In developing work programs for our self-initiated work (as contrasted to work directed by a congressional request or mandated by specific statute), we attempt to ascertain congressional needs so that we can produce timely information useful to the Congress and thus contribute to better Government. As a result, we often receive requests from committees or Members to perform work already started or even completed.<sup>13</sup>*

There is more in chapter 10 about communication between GAO and congressional staffs in planning the agency's work, but it is worth noting here that direct assistance extends into the so-called basic legislative requirements activities. In other words, if there were no "BLR" studies, the demands for direct assistance would likely be much greater. Similarly, the extent to which GAO's basic legislative requirements work anticipates congressional information needs partly determines its ability to respond when requested

or to avoid the need for a new study in response to a request by providing information already developed or being assembled.

## **Growth in GAO's Congressional Testimony**

In the mid-1960's, GAO officials appeared before committees an average of two or three times a month. In the last few years, GAO testified an average of once each working day. The subject matter varied as much as with GAO reports. As an illustration, the following chart lists the subjects on which GAO testified during a busy month in 1979.

Most often, GAO was called on to discuss the results of a study relevant to the subject of the hearing. Occasionally, Staats was asked to testify specifically because of his own personal experience in Government, the sensitivity of the subject, or the breadth of the issues involved, as with matters affecting science policy. In these instances, he often took a personal hand in drafting the testimony.

Who testifies on behalf of the Office can be as sensitive as the substance of the testimony. Committees often want an agency's top officer to appear at their hearings, and GAO generally is no exception. Staats preferred that the Office be represented by the Comptroller General or other top official down to the division director level. Although he tried to be available as often as circumstances warranted and his schedule permitted, he had to share this duty more and more with other GAO officials as the amount of testimony increased. For example, in 1979, he was the lead witness at about one-sixth of the hearings at which GAO testified. The heavy demand even overwhelmed some of the division directors, and required that GAO be represented more and more by subordinate officials having firsthand knowledge of the subject matter.

Although testimony must often be prepared within tight timeframes, GAO staff carefully research and prepare the formal statements. On most occasions, they also prepare thick backup books containing extensive documentation to support the points being made. They also try to find out from the committee staff what questions are likely to be asked at the hearings, and frequently prepare suggested responses in advance.

As the amount of testimony increased, problems sometimes arose or became more aggravated. From time to time, ongoing work had to be interrupted or staff called away from succeeding studies to prepare for a hearing. Sometimes a request for testimony arrived before all points about an issue were tied down, so the statements presented could offer only tentative findings and conclusions. Finally, presenting testimony sometimes took away the incentive to prepare a formal report that would benefit other parties and reach an audience wider than those



**GAO OFFICIALS TESTIFY** at 1970 Joint Economic Committee hearing.

## **Subjects On Which GAO Testified In May 1979. Figure 2-2**

### **HOUSE**

- 5/3 Office of Federal Procurement Policy
- 5/7 Emergency preparedness around nuclear power plants
- 5/15 Impact and validity of PACE: A Federal employment examination
- 5/16 Indochina refugee assistance programs
- 5/16 Presidential Transition Act of 1963
- 5/16 Emergency preparedness around nuclear facilities
- 5/21 Improving development coordination
- 5/22 Two bills affecting small businesses
- 5/23 Urban development action grant program
- 5/23 Congressional oversight reform legislation
- 5/23 Interrelationships of Federal and D.C. retirement systems
- 5/30 Enforcement of crude oil reseller price controls
- 5/31 Uranium supply and demand estimates

### **SENATE**

- 5/1 Improving development coordination
- 5/2 Davis-Bacon Act should be repealed
- 5/2 Implementation of time-frames in Speedy Trial Act of 1974
- 5/7 Set aside program for Federal timber sales
- 5/8 Merit Systems Protection Board and Office of Special Counsel
- 5/16 S. 414, the University and Small Business Procedures Act
- 5/21 GAO report, "Conditions of Older People: National Information System Needed"
- 5/22 National Cancer Institute's management of a contract
- 5/31 Placement of foster care children with members of the People's Temple

**SOURCE:** GAO Legislative Digest Section

at the hearing. Yet testimony remains a primary means for communicating GAO's message directly to committees.

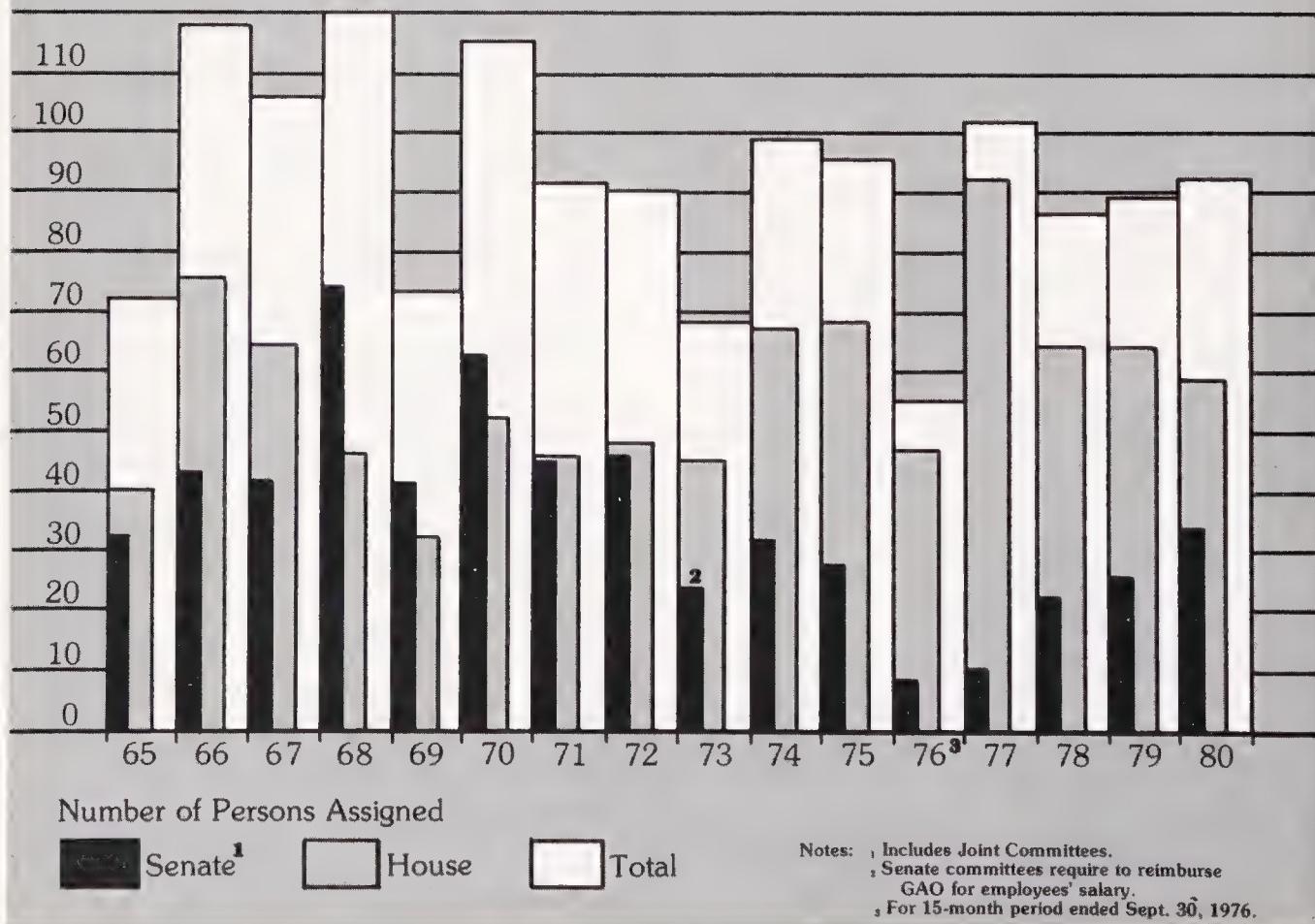
## Assigning GAO Staff To Congressional Committees

Each year the Office assigns 50 to 100 staff members directly to committees to help carry out their responsibilities or assist them in using the results of a GAO study. In accordance with the Budget and Accounting Act, GAO provides staff assistance to committees having jurisdiction over revenues, appropriations, and expenditures, and often to other committees, as well. However, the agency does not assign staff to individual members.

During the 1966-81 period, there was no discernible trend in the number of these assignments. Typically, the individual assignments lasted from a few days to several months, but prior to 1970, a few lasted for several years. A statutory limit of 1 year was included in the Legislative Reorganization Act of 1970 at GAO's request. Reimbursement to GAO for staff members' salaries and other expenses was negotiated on a case-by-case basis until a 1972 law amended Senate rules to require its committees to reimburse GAO for salary costs. The House rules contain no similar requirement, and House Committees usually do not reimburse GAO for staff assigned to them.

GAO's Office of Congressional Relations (OCR) is responsible for responding to commit-

**Figure 2-3**  
**GAO Staff Assigned to Congressional Committees**



tee requests for staff assistance. OCR, in turn, calls on the cognizant division to nominate specific individuals. Divisions are sometimes reluctant to part with their best qualified staff, but they generally understand the significance of this type of assistance. Previously some GAO staff were reluctant to accept the assignments because this experience did not seem to count as much toward advancement as other GAO work, but the Office policy was changed to give staff more credit toward promotions for Hill duty.

OCR has to be sure that staff requested will be used productively and that the work to be done is within the competence of the staff available for assignment. Occasionally, committees request staff before deciding on their roles or request them to do jobs normally done by committee staff. The dividing line here is hard to draw, and GAO usually gives the committee the

benefit of the doubt. Once assigned to a committee, a staff member's work normally consists of exactly those duties which the committee states at the outset of the assignment; however, this is not always the case. Take the example in the accompanying story of Paul Grace, now a supervisory auditor in GAO's Energy and Minerals Division.

Assigning staff is often useful to both GAO and the committees. For example, a few years ago, the Joint Committee on Congressional Operations needed auditors to help in a study of the Office of Technology Assessment. GAO could not do this work directly without a conflict of interest with a sister agency, so staff had to be assigned directly to the Committee where they would assist on matters in which a committee has authority to investigate but GAO does not. Other examples of such an assignment are in-

## A Staff Assignment That Turned Out To Be More Than Expected

In June 1973, the House Judiciary Committee began an investigation of whether the Nixon administration was exerting political influence on antitrust litigation in the Justice Department. Chairman Peter Rodino wanted to augment the staff of his Subcommittee on Anti-Trust with persons having experience in auditing Department of Justice affairs. He turned to GAO, and one of those chosen was Paul Grace. At the time of Grace's assignment in July 1973, he had just completed several years' work auditing the Justice Department's Bureau of Narcotics and Dangerous Drugs. Suddenly, instead of working with Justice officials who were trying to track down narcotics traffic, Grace was asked to consider whether "the President's men" were illegally intervening in antitrust cases. However, the new challenges had just begun.

As is customary with GAO staff assignments to congressional committees, Grace became the equivalent of a full member of the Committee staff, but he retained his identity as a GAO employee. However, because of the politically sensitive nature of the assignment, GAO asked Grace to identify himself as purely a staff member and not as a GAO employee. If there were to be any political overtones on this assignment, GAO was going to maintain its neutrality.

Very soon after Grace's assignment began, Vice President Agnew pleaded "no contest" to charges of taking kickbacks and resigned from office. The House Judiciary Committee was forced to put down its antitrust work and investigate whether the new Vice Presidential appointee, Gerald R. Ford, had a clean financial and political record. Grace and several Committee staffers were put in charge of checking Ford's financial statements for any possible involvement with Government contracts in his congressional district. When Ford "came out clean," Grace and the rest of the Subcommittee on Anti-Trust resumed their work, only to be interrupted once again.

This time the interruption came from the floor of the House. In December 1973, as soon as the House approved the resolution to investigate whether to impeach the President, the House Judiciary Committee was asked to investigate whether the allegations against Nixon were valid; in short, whether the President did indeed have knowledge of any portion of the Watergate affair, its coverup, and related matters. Grace, along with the Committee staff, studied the testimony of every major White House official who had testified before the Senate Watergate Committee. However, the staff's study was interrupted in August 1974 by the resignation of the President.

At this point, Grace and the other members of the Subcommittee once again resumed their work. Although the Judiciary Committee took no formal action, some of the Subcommittee's findings eventually became the basis for a GAO review of the need for closer controls and better data to improve antitrust enforcement.

Thus, a GAO committee assignment which began as one duty expanded to include the vicissitudes of the year's major events.

vestigations of criminal statute violations, as well as those under the House Appropriations Committee's Surveys and Investigations Staff.

Sometimes the assignment of staff to a committee is the most efficient means of providing needed information. Although GAO has considerable authority to obtain information, Federal agencies and others often pay closer attention to a committee request, especially if subpoena power or a public hearing is in the offing. Also, staff assigned are under direct committee supervision, so the committee has more control over how the work is done and the results reported.

For the staff, the assignment can be a mixed blessing. They often gain valuable experience in how the Congress works and insights into the perceptions of key congressmen on a given topic. On the other hand, assessing the performance of such staff and giving them proper credit toward career development for the time they are assigned are continuing challenges for GAO.

## Reporting On Pending Legislation

Another means for GAO to present its views to committees is through formal, written reports on pending legislation. For many years, congressional committees have followed the practice of referring proposed legislation to cognizant Federal agencies, including GAO, for their comments. Often, if a committee receives unfavorable comments, it gives no further consideration to the bill.

Of the 25,000 or so bills introduced in each Congress, no more than perhaps 10 percent have ever been referred to GAO for written reports. A few committees refer almost every bill to GAO, but most of them refer almost none, even though the subject matter may be relevant

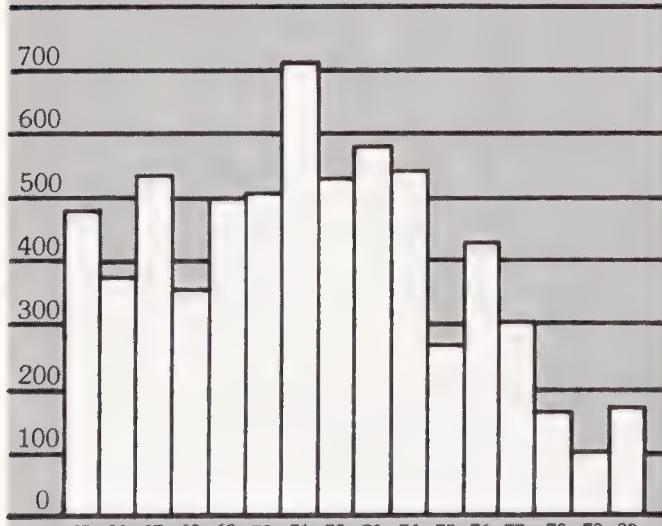
to GAO audit operations. The Office can provide a written report on a bill without a formal request, but it rarely does so.

As shown below, the number of GAO reports on pending legislation peaked at slightly over 700 in fiscal year 1971. Recently, however, this number has declined sharply. In fiscal year 1980, GAO issued fewer than 200 such reports. Several reasons account for this decline.

- The Office of Congressional Relations worked out arrangements so that GAO could informally advise committees if GAO had no comment. OCR also urged them to limit their referrals to bills likely to get serious committee attention.
- Audit divisions now have responsibility for preparing the reports. Although they take this responsibility seriously, they select bills to report on which are directly related to their work and/or which have a real chance of being enacted.
- There are fewer bills today that directly affect GAO. For example, during the 1960's, there were a large number of bills to establish new Federal grant programs. To ensure that GAO would be able to audit these programs, each required a GAO report unless the bill contained a clause providing GAO access to the grantee's records.
- GAO more frequently uses other means to present its views, such as testimony at committee hearings.

GAO's reports on bills can be useful in bringing to committees' attention the need for technical improvements, such as access-to-records clauses or strengthened financial accounting and reporting requirements. They are also a way to get on record the Office's views on bills that directly affect agency operations. For example, in 1975, GAO filed a 10-page report opposing a bill that called for congressional appointment of the Comptroller General and reducing his term to 10 years. The committee took no action on the legislation.<sup>14</sup>

**Figure 2-4**  
**GAO Reports on Pending Legislation**



Note: <sup>1</sup> For 15-month period ended Sept. 30, 1976.

## Assisting House And Senate Financial And Administrative Operations

GAO's Legislative Branch Audit Site is one of the Office's least-known activities. The site plays the same double role that all GAO divisions must play, both as an independent auditor and a service group of the Congress. The key difference is that the "auditee" is GAO's boss. Now part of the Accounting and Financial Management Division, the site assists the Congress by doing 15 recurring financial audits of such units as the House Recording Studio and the Senate Restaurant; offering informal advice and assistance on administrative matters; and providing

the perspective needed to make congressional housekeeping run smoothly.

The site also serves as a convenient buffer between the Congress and top GAO management by helping to resolve sensitive issues that might otherwise require the Comptroller General's personal attention. For example, if the Senate Appropriations Committee requests a GAO study on the possible centralization of computerized Senate newsletter writing, the site must make sure that the final report is objective and will not appear to the Senate Rules and Administration Committee (which oversees Senate computer operations) as if the study were conducted with only one committee's interests in mind. Sometimes, the responsibility to resolve housekeeping issues has led site staff members into some sticky situations, as shown in the accompanying example below.

## **Systematizing The Flow Of Information To The Congress**

In 1966, the Joint Committee on the Organization of Congress was completing its year-long study of that body's organization and operations. The Committee noted that the executive branch had begun using planning, programming, and budgeting (PPB) systems to define program goals, establish measures of performance, analyze alternatives, and determine program benefits and costs. Aware that it was becoming more and more difficult for the Congress to meet its responsibilities without adequate information, the Joint Committee recommended, among other things, using automatic data proc-

essing equipment to process budget information and reorganizing GAO to:

\* \* \* participate in the establishment of a standard classification code of activities and expenditures, to assist in locating budget information, to provide expert assistance in the analysis of cost-effectiveness studies, and to prepare tabulations of budget data.<sup>15</sup>

Some members of Congress were concerned that if the Congress did not have access to these new systems, it would be at an even greater disadvantage in coping with executive agencies in a modern, complex world. Representative Jack Brooks, a member of the Joint Committee, developed language providing for congressional participation in the systems' design and use of information from the systems. Brooks recognized that the supporting systems would have to be automated and that agreeing on the necessary terms, definitions, classifications, and even codes would be critical to making the PPB systems function effectively.<sup>16</sup> In the next few years, the fundamental principles of PPB were incorporated to varying degrees in agency and Office of Management and Budget (OMB) budget processes, but the label "PPB" was dropped and greater emphasis was given to other techniques for supporting budgetary decisionmaking.

In the Congress, the requirements to develop standardized information systems eventually became part of Title II of the Legislative Reorganization Act of 1970. OMB and the Treasury Department were to take the lead in developing the

## **Straightening Out a Congressional Carwash**

In 1973 the Chairman of the House Select Committee on Parking requested Bernard (Al) Brady, the head of the site, to assist the Committee in a study of congressional parking problems. During the study, Brady and his crew of auditors discovered that a carwash business was being run by parking garage employees. The employees were simply charging a fee to wash a Congressman's car while the car was left in the garage. Brady quickly pointed out to the Committee that this business was in violation of the Legislative Reorganization Act of 1970, which requires that any private organization doing business in the Capitol buildings or on Capitol grounds be audited by GAO.

After Brady presented his findings to the Committee, the carwash business disappeared. Many Congressmen began to complain to the Chairman of the Committee on House Administration, Wayne Hays, that they could no longer get their cars washed. Hays, sometimes referred to as the "meanest man in the House," did not like the sound of these complaints. He and two other Committee members sat down with Brady and other GAO staff members; Hays wanted to do a little complaining of his own. It was a tense meeting, but there were no fireworks. Brady, who wanted to resolve the whole issue cooperatively, devised a new pay system for the garage employees that allowed them to work half a day on the Government payroll and to run the carwash for the other half. Brady's system was incorporated into the Supplemental Appropriations Act, 1974. Congressmen could get their cars washed again—legally this time—and Wayne Hays could relax.

systems and accompanying standard classifications for program and financial data. The Comptroller General was to ensure that congressional interests in establishing and using the systems would be considered.<sup>17</sup>

By the early 1970's, the level of executive branch commitment to PPB-type systems had declined, so the executive agencies concerned did not want to attempt a comprehensive approach to implementing the information systems provisions of the reorganization act. This left the door open for continuing the relationships between the several decentralized units of the Congress and the executive branch that had resulted in numerous, confusing, and sometimes exclusive information channels. Working with the committees, however, GAO developed an overall statement of congressional information needs in 1972. By that time the focus had shifted to design of the new congressional budget process, so many of the specific requirements identified by GAO, such as score-keeping requirements, tax expenditure information, and 5-year budget projections, became incorporated in the Congressional Budget Act of 1974.<sup>18</sup>

Through the Budget Act, Congress put GAO in charge of standardizing of terms, definitions, classifications, and codes and providing for congressional access to the information systems, but left the leadership for standardizing the systems with OMB and Treasury. As expected, making any changes in the existing classification structures, such as budget functions and subfunctions, appropriation accounts, and Government programs and activities, was extremely difficult for GAO. For example, GAO recommended a revised structure for budget functions and subfunctions, but the Budget Committees did not accept the recommendations. Therefore, OMB retained the same basic structure but improved it later by adding national needs statements. Because this structure began to be used in the budget decisionmaking process, the scope and content of each function were clarified—but GAO had little direct influence on the process.

GAO has been more successful in carrying out some of the associated tasks assigned by the reorganization act and the budget act. For example, with excellent participation by Treasury, OMB, and the Congressional Budget Office, GAO published a glossary of budget terms that has gained wide acceptance. Also, GAO has appraised the budget systems and financial practices of Federal agencies, giving particular attention to the Congress' need for information. A comprehensive report on budget concepts and practices issued in early 1981 called for another budget concepts commission and outlined the issues it could address.

Less widely known were GAO's efforts to establish and maintain an inventory of the major sources of budget, fiscal, and program-related information. The inventory is maintained on the

Library of Congress' SCORPIO system for use by congressional analysts and is published in directory form periodically.

At the request of several authorizing committees, GAO has also begun to develop a basic inventory of Federal programs and activities. Because of the many information systems, sources, and needs, there is no single inventory of all Federal programs or successful definition of what a program is. Oversight reform legislation considered during the 96th Congress would have required that a program inventory be developed by the House and Senate Rules Committees with GAO assistance. If enacted, this new mandate might bring about ultimate success in completing the inventory and ensuring its widespread use.

## **Liaison With Committees And Members**

One of the important factors in the growth of GAO's assistance to the Congress was the strengthening of GAO's structure for interacting with the Hill.

Until the late 1950's or early 1960's, GAO congressional relations were conducted largely by a small staff in the Comptroller General's immediate office. During the Campbell era, an Office of Legislative Liaison was formally established, and when Robert Keller was appointed General Counsel, he incorporated this office into his own organization. Nevertheless, its functions and operating style remained essentially unchanged. The office was staffed exclusively by attorneys in career positions who established working relations with staff on the committees for which they were responsible.

During the 1966-81 period, the legislative liaison function became a more integral part of GAO's management. When Keller was appointed Deputy Comptroller General, legislative liaison returned to the Comptroller General's office. Fostering and maintaining good relationships was not the only function of the legislative liaison staff; they were also expected to keep top management informed of significant developments affecting GAO. Twice-weekly meetings were held with the Comptroller General, his Deputy, and the legislative liaison staff. (Eventually, the meetings were expanded to include division directors and other top officials, and they were held once a week.) Direct contact was encouraged between the audit staffs and their counterparts on the Hill, as were efforts to consult with committee staffs in planning GAO's work. (See ch. 10.)

As the Congress' demand for more GAO direct assistance increased, the legislative liaison staff had to increase. It became the Office of Congressional Relations (OCR) with its own director, and persons with audit backgrounds were appointed to the staff. The number of attorneys/advisors increased from three to four and eventually to five. However, even with more diver-



**OFFICE OF CONGRESSIONAL RELATIONS STAFF** meet with Deputy Comptroller General Robert Keller (l. to r.) T. Vincent Griffith, Smith Blair, Jr., Robert Keller, Martin Fitzgerald, Roger Sperry, and Sam Bowlin.

sified staff backgrounds and its increased size, OCR could not keep up with the ever expanding number and range of contacts. Some audit divisions chose to appoint their own "congressional affairs officers" to keep tabs on congressional requests and help the audit staffs with congressional contacts. Others simply shifted more of the burden to line audit staffs.

Today, OCR remains small compared with the size of other Federal agencies' liaison staffs. The audit divisions conduct most of the day-to-day contacts with the Hill, and OCR is little involved except for helping to resolve specific problems and attending particularly important or sensitive meetings. Many auditors and evaluators in GAO now recognize that both sides generally benefit from close and continuing contacts and that direct negotiations with a committee or member's office requesting work does not necessarily mean losing control of the assignment or increasing its scope. The Comptroller General still expected to be kept fully informed of congressional contacts, but his sources of feedback necessarily expanded.

One nagging problem remains, however. That is the mismatch between GAO's organization and committee jurisdictions. Few GAO issue areas fall exclusively under the jurisdiction of a single committee. Similarly, the jurisdiction of many committees spans more than one GAO division or issue area. Some committees, such as Appropriations and Government Operations, have responsibilities that cover the entire spectrum of Government activity. Therefore, it is the exception, rather than the rule, when a single GAO division can conduct all GAO's business with a single committee and vice versa. By organizing GAO's work under issue areas, the Office can respond on a given subject, no matter

what Government agencies are involved, but there will probably continue to be some overlap necessitating centrally coordinated congressional relations.

1. Frederick C. Mosher, *The GAO: The Quest for Accountability in American Government* (Boulder, Colo.: Westview Press, 1979), p. 56.

2. 31 U.S.C. 53, sec. 312 (1921). Budget and Accounting Act.

3. U.S. General Accounting Office, *Annual Report of the Comptroller General*, 1960 (Washington, D.C.: GPO, 1961), p. 15.

4. Comptroller General Staats, Letter to the Chairman, Senate Committee on Government Operations, 17 Mar. 1966.

5. U.S. Cong., House Committee on Appropriations, Subcommittee on Legislative Branch, *Hearings on Legislative Branch Appropriations for Fiscal Year 1969* (May 1967), p. 656.

6. Joseph Pois, *Watchdog on the Potomac: A Study of the Comptroller General of the United States* (Washington, D.C.: University Press of America, 1979), p. 311-12.

7. Comptroller General Staats, Letters to the Chairman, House Committee on Armed Services, 1 Aug. 1969 and 12 Sept. 1969.

8. Comptroller General's report on proposed principles of reimbursement for provider costs under Public Law 89-97 (B-142983, May 24, 1966).

9. U.S. Cong., Senate, Finance Committee, Chairman, *Testimony of Comptroller General Staats* (2 July 1969).

10. Comptroller General's report, "Defense Industry Profit Study" (B-159896, Mar. 17, 1971).

11. Comptroller General's report, "Study of Health Facilities Construction Costs" (B-164031(3), Nov. 20, 1972).

12. U.S. Cong., Senate Committee on Appropriations, *Hearings on Legislative Branch Appropriations for Fiscal Year 1973*, 92nd Cong., 2nd sess. (Washington, D.C.: GPO, 1972), p. 24.

13. General Accounting Office, *Annual Report of the Comptroller General, 1979* (Washington, D.C.: GPO, 1980), p. 2.

14. Comptroller General Staats, Letter to the Chairman, Committee on House Administration (B-177913, Nov. 5, 1975).

15. U.S. Cong., Joint Committee on the Organization of the Congress, *Organization of Congress*, 89th Cong., 2nd sess., S. Rept. 1414 (Washington, D.C.: GPO, 1966), p. 27.

16. U.S. Cong., House Committee on Rules, *Testimony of Comptroller General Staats* (11 Dec. 1979), p. 60.

17. Public Law 91-510, secs. 201-205 (Oct. 26, 1970). Legislative Reorganization Act of 1970.

18. U.S. Cong., House Committee on Rules, *Testimony of Comptroller General Staats* (11 Dec. 1979), pp. 61-62.

## Chapter 3

# GAO's Move To Government-wide Program Evaluations

As early as the 1950's, GAO had broadened its activities beyond financial or corporation audits relying on the Office's 1921 and 1950 statutory authority. Even then, economy and efficiency were bywords of the comprehensive audit, and looking into the managerial and administrative performance of an agency was common practice. The efforts of those who pioneered this work set the stage for further evolution in the 1960's and 1970's.

Two significant events set the stage for this evolution. First, the Holifield hearings of 1965 precipitated a major change in GAO's approach to reviewing defense contracting procedures. Second, the emergence of the Great Society programs expanded the Federal role beyond such traditional programs as building highways and meeting payrolls to ameliorating the problems of the Nation's poor by providing health, educational, welfare, and social benefits. The benefits of such programs could not be easily measured, and the techniques and skills used to measure them were in their infancy. Few social scientists could determine the effectiveness and economy of these "soft issues," let alone GAO auditors so accustomed to working with concrete figures or countable inventory.

As watchdog over the Federal purse strings, GAO was expected to ensure the proper use of Federal funds. But how could this be done without scrutinizing individual contracts or assessing quantifiable results? The Office began by stressing the importance of determining program results and bringing in systems analysts and others to assist auditors in this new and challenging task. GAO's first major review of program results came with the Prouty amendment of 1968 requiring an evaluation of antipoverty programs, which sorely tested the skills and abilities of GAO and its staff. But the Prouty work launched GAO's extensive program results efforts and paved the way for more in-depth program evaluations and policy analyses. In the defense area, GAO broadened the scope of its work. It made reviews with the intent of improving the overall weapons acquisition process, which eventually evolved into mission analyses. GAO also addressed Federal agencies on their responsibilities to evaluate their own programs and encouraged academia and the evaluation community to share their knowledge.

However, GAO's venture into the field of evaluation and analysis did not diminish its concern for economical, efficient management. Rather, evaluation and analysis supplemented

the proven financial and compliance audits and reviews of economy and efficiency. This expanded focus of GAO's work, applied to an ever-increasing number of Federal agencies and functions (see ch. 6), gave the Congress, the Government, and the public a more complete picture of how Federal dollars were being administered and what they were buying.

### The Prouty Amendment—GAO's First Major Test of Program Results

During the 89th Congress, the legislative skills of President Lyndon Johnson, coupled with civil rights uprisings and the reaction to President Kennedy's assassination, resulted in enacting much of the fallen President's legislative program, including the Economic Opportunity Act of 1964 and the creation of the Office of Economic Opportunity. The potpourri of Government activities known as the antipoverty program thus was launched.

Initial concerns about how well these activities were meeting their legislative mandate were addressed in studies commissioned by the Senate Committee on Labor and Public Welfare. When the act came up for renewal in 1967, Senator Winston Prouty, a member of the Committee, rejected the studies as being "either factually inaccurate or based upon information supplied by interested parties which was never checked to determine its validity."<sup>1</sup> Senator Prouty persuaded the Senate to require a GAO investigation of the programs authorized under section 2 of the act, including most significantly,

\* \* \* the extent to which such programs and activities achieve the objectives set forth in the relevant part or title of the Economic Opportunity Act of 1964 authorizing such programs or activities.<sup>2</sup>

The Prouty amendment work has been described as one of the most comprehensive, complex, and difficult assignments ever undertaken by GAO. Concerned that GAO not be embarrassed by failing to meet this test, the Comptroller General himself became involved in the project, which included a team of 250 auditors from the Civil Division and all regional offices. The total cost of the project was several million dollars, the largest ever for any GAO study.

GAO's work plan was based on two closely related approaches.

- Examinations of the management of the programs, efficiency of administration, and achievement of objectives at headquarters and field offices of responsible Federal agencies, grantees, and contractors.
- Statistical and economic analyses designed to broaden the geographic coverage of the field examinations.<sup>3</sup>

The team examined those programs authorized the most money, that is, the Job Corps, Community Action, Neighborhood Youth Corps, Work Experience and Training, Concentrated Employment, and Volunteers in Service to America programs, as well as smaller programs authorized by law. For comparative purposes, GAO also obtained data on similar programs authorized under other legislation.

GAO contracted with three private firms to assist in the statistical and economic analyses, to review previous analyses of the Office of Economic Opportunity and other agencies, to assist in reviewing that Office's information systems, and to interview current and former enrollees of the antipoverty programs. And in what became a precedent for many other GAO reviews, the Comptroller General insisted that a consultants' panel, composed of experts from academia, private industry, and Government, be formed near the end of the job to provide an independent view of GAO's methodology, results, conclusions, and recommendations.

The new challenge posed by this work was integrating the tried and true methodologies of economy and efficiency audits with new techniques of measuring the impact of social programs. Each antipoverty program had its own objectives, participants or beneficiaries, and activities. For example, the Head Start program was designed to help economically disadvantaged preschool children in achieving their full potential through health, nutritional, educational, psychological, and social services. The Community Action Program, on the other hand, was intended to alleviate problems of the rural and urban poor through unified planning, organizing, and implementing of available services.

The GAO staff faced the difficulty of defining and refining antipoverty program objectives and the even more difficult task of determining criteria for measuring the programs' success. There were few measures of educational, social, nutritional, or cognitive changes in children and adults. GAO relied on its systems analysts and consultants to provide valid measures and on

common sense criteria which the Congress would understand and accept. In the end, GAO concluded that the antipoverty programs achieved varying degrees of success and made numerous recommendations to improve program administration and operation.

GAO met its 18-month deadline after an all-out effort to draft a 200 page summary report in 6 weeks. Dozens of supplementary reports on individual programs and projects, as well as five consultant reports, were issued later. The staff involved in this project had to cope not only with the new task and tight timeframe but also with major internal resistance to doing work that required new techniques and involved high risks to the organization.

Although the Comptroller General and his staff encountered some hostility, the Congress' official reaction to the report was generally favorable. A Senate Committee on Labor and Public Welfare report "found the GAO audit of value in carrying out its responsibilities," and Senator Prouty thanked GAO for a job well done.<sup>4</sup> But Senator Walter Mondale expressed "grave doubts" about whether GAO should be playing this role. Mondale was concerned that this work involved "political judgments" which required the sophistication of professionals with extensive training and experience in health, education, legal services, and related fields.<sup>5</sup>

There was also a problem of timing. GAO questioned whether certain Job Corps training centers deserved the level of support they were getting when the executive branch was proposing substantial cutbacks in the same activities. GAO officials were never accused of tailoring the study for political motives, but congressmen supporting the training centers raised questions about the method GAO used to select the centers it reviewed and the timeliness of the data on which GAO's conclusions were based. House Education and Labor Committee Chairman Carl Perkins took the Comptroller General to task for suggesting that funding for the program could be better spent by offering similar services through other programs. Perkins acknowledged that Staats' testimony had been helpful to the Committee, but he wanted GAO to recommend ways to improve the deficient centers, not ways to save money.

There is some indication that GAO was being criticized because of concern about the future of this and related programs and not because of any real reservations about its methods. In any case, the results proved that GAO could contrib-



(Top to bottom)  
C-5A Aircraft--Air Force  
DD-963 Destroyer--Navy  
Main Battle Tank--Army



**SEVERAL OF THE WEAPON SYSTEMS** reviewed by GAO in the early 1970's.

ute to the Congress' growing need for information on program results.

## **Major Weapon Systems—Work Of Limited Scope Expands To Major Proportions**

As with the antipoverty program audit, GAO's reviews of major weapon systems acquisitions represented a new and changing focus of work. Defense contracting procedures, especially as viewed from the perspective of the Truth in Negotiations Act, continued to be a subject of GAO's investigations, but GAO realized that review of pricing actions under individual contracts was a function more properly done by agency auditors. Evidence suggested that GAO work on individual actions discouraged agencies from reviewing such actions themselves. In the late 1960's GAO began to understand that review of the acquisition process itself was a better focus of work and that this review could be designed to accomplish two objectives:

- Serve as the basis for giving Appropriation Committees current data on the status of given systems.
- Serve to evaluate overall acquisition management so that general improvements could be made and perhaps head off future problems.

Then the events described in chapter 2, which had been precipitated by large cost overruns, led to a new approach in 1969. The new Major Acquisitions Group in the Defense Division focused on the basic causes of cost growth, schedule slippages, and deterioration of the expected performance characteristics of individual weapon systems in order to make recommendations for improving the weapon acquisition process.<sup>6</sup> From this work evolved reviews that encompassed not only military missions, capabilities, and alternatives but also major acquisitions in the civilian agencies.

### **EARLY WEAPON SYSTEMS WORK DEVELOPS QUICKLY**

The Major Acquisitions Group began by verifying data supporting DOD's new selected acquisition reports, which were issued quarterly on the status of major weapons. In a matter of months, the group, along with regional office staff, planned its attack; verified DOD's cost, schedule, and performance data; and published a report on 57 major weapons, just about evenly split among the services.<sup>7</sup>

Publication of the initial report within the 6-month deadline required the staff's concentrated effort. They had to become even more knowledgeable of weapon system development and acquisition processes. To assist them, GAO

asked the Defense Department to provide cost and time milestones against which the staff could measure the success and timeliness of each weapon acquisition. On the basis of this first review, GAO concluded that

- many development programs had considerable cost growth and the growth was continuing;
- there were significant variances, existing or anticipated, between the performance originally expected and that currently estimated for a large number of systems; and
- many of the systems' program schedules had slippages, existing or anticipated, of 6 months to more than 3 years.<sup>8</sup>

GAO made no recommendations in the report. However, during the course of the assignment, it made many suggestions for improving the acquisition management process, and DOD accepted them.

### **WEAPON SYSTEMS WORK EXPANDS**

In 1971, the group initiated staff studies to provide the Congress with an even more up-to-date look at weapon acquisitions. Using an abbreviated reporting process, GAO provided data just 3 to 4 weeks old—perhaps the most current information ever provided on such a large scale.

In addition to continuing appraisals of individual weapon procurements, GAO initiated in-depth studies of specific functions in the acquisition process. By the end of fiscal year 1972, reviews included assessments of the procedures and practices in cost estimating, testing and evaluation of test results, and cost effectiveness studies.

In 1974 the Major Acquisitions Group initiated another phase in its work—evaluating weapon systems based on the missions they were to accomplish. For example, a carrier task force, usually composed of two nuclear or conventionally powered aircraft carriers and 10 to 12 support ships, is primarily responsible for accomplishing the Navy's sea control mission. GAO studied the Navy's ability to perform this mission: Could the Navy adequately defend critical sealanes against enemy attack? Were the carrier task forces composed of the appropriate ships, and were they available on time and properly equipped? Would a different mix of ships at a different cost afford greater control and flexibility? Additional reports addressed the Navy's ability to accomplish its sea control mission in terms of personnel, logistics, and supply.

Using this approach, the Office started looking at how the pieces fit together: Could the Army, Navy, and Air Force effectively accomplish their individual missions? Were the weapon systems being acquired appropriate for the missions? Were people and equipment available and operational? Answering these questions was an am-

## **Figure 3-1 Examples Of Major Weapons Systems Reviewed In 1973**

### **ARMY**

#### Aircraft:

HLH helicopter  
UTTAS helicopter

#### Missiles:

Safeguard  
SAM-D  
TOW

#### Vehicles-ordnance:

MICV (mechanized infantry combat vehicle)

M60A2 tank

Gama Goat

Main battle tank

#### Other:

Tacfire control support system  
Site defense system

### **NAVY**

#### Aircraft:

Light airborne multipurpose system (LAMPS)

S-3A

Harrier

F-14 Phoenix

E-2C

P-3C

#### Sonar systems:

AN/SQS-23

AN/BQQ-5

#### Missiles:

Poseidon

Aegis

Harpoon

AIM-7E/F

#### Ordnance:

Mark-48 torpedo

#### Ships:

SSN-637 submarine

Trident submarine

DD-963 destroyer

DE-1052 destroyer escort

General purpose amphibious assault ship (LHA)

CVAN 68/69/70 aircraft carrier

Patrol frigate

Patrol hydrofoil

Sea control ship

Surface effects ship

#### Other:

Amphibious assault vehicle

Submarine detection device

### **AIR FORCE**

#### Aircraft:

F-111

F-15

F-5

C-5A

#### Missiles:

Minuteman II/III

Maverick

Short range attack missile (SRAM)

#### Other:

Over-the-horizon backscatter radar (OTHB)

Airborne warning and control system (AWACS)

### **DEFENSE COMMUNICATIONS AGENCY**

#### (1 system)

Defense satellite communications system

### **ATOMIC ENERGY COMMISSION**

#### (1 system)

Sprint/Spartan missile program

### **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

#### (2 systems)

Applications technology satellite

Viking

### **DEPARTMENT OF TRANSPORTATION**

#### (1 system)

Automation of terminal control

bitious task and required the input of not only the Major Acquisitions Group in the Procurement and Systems Acquisition Division but also the Logistics and Communications Division and the Federal Personnel and Compensation Division.

The Office has traditionally not examined matters of military judgment and strategy—the next logical step in the development of GAO's defense work. GAO was not privy to all information used in making such decisions, and were the Office to evaluate them, it could duplicate the Joint Chiefs of Staff's responsibility. GAO's initial work on major weapon systems involved

only the verification of cost, schedule, and performance figures. It eventually began to examine broader issues, such as mission analyses. Although some GAO staff believe questions about military planning and strategy are not unlike policy issues posed at civilian agencies, GAO has never chosen to go down that road.

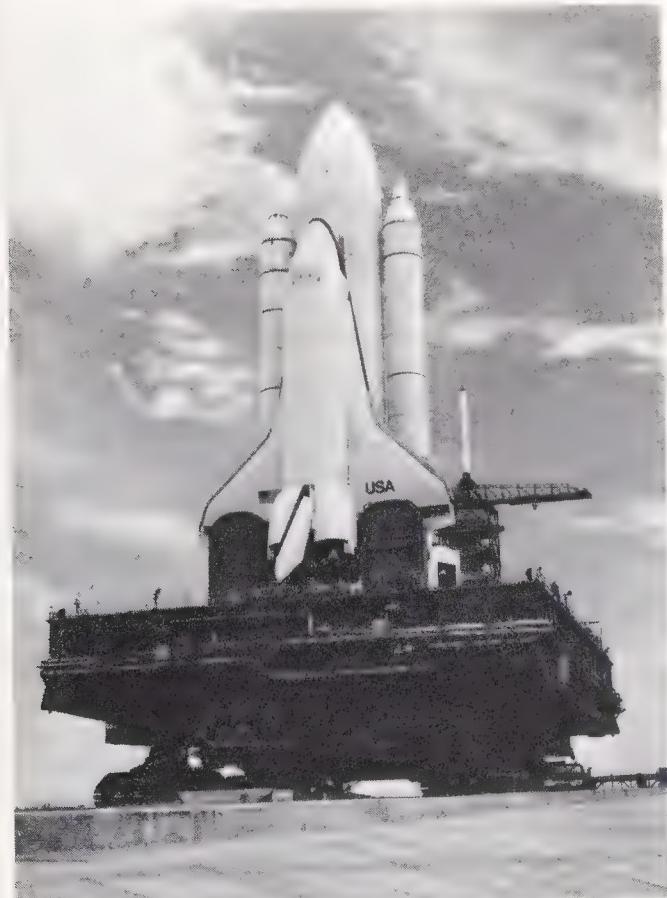
### **CIVIL AGENCY ACQUISITIONS COME UNDER REVIEW**

Several years after the start of major acquisition work in defense agencies, GAO began to assess the cost, schedule, and performance of

major civil agency acquisitions. Early systems examined were the Nation's first liquid metal fast breeder reactor, the Federal Aviation Administration's air traffic control system, NASA's space shuttle, and METRO—the Washington, D.C., area's subway system. Eventually, the civil acquisition work grew to include reviews of each agency's cost-estimating procedures, research and development activities, and other acquisition functions.

## Broadening The Scope Of GAO's Reviews

The antipoverty program reviews and evolution of the weapon systems work set the stage for the future. Convinced of GAO's ability to determine the effectiveness of Federal programs and pointed in this direction by the Congress, the Comptroller General encouraged the divisions to take on more such work. Some program results work evolved into program evaluations and policy analyses. GAO also encouraged Federal agencies to perform some of its traditional work. Financial management, internal audit, and many of the routine functions GAO used to do were considered, and rightly so, a primary responsibility of the agencies themselves. GAO oversaw their efforts and concentrated on the broader based, Government-wide activities, such as consumer protection and nondiscrimination in Federal programs.



**THE SPACE SHUTTLE, ENTERPRISE**, a major civil agency acquisition, also reviewed by GAO in the 1970's.

## THE PROGRESSION TO PROGRAM EVALUATIONS AND POLICY ANALYSIS

Although GAO had opened the door to program results reviews, such reviews entailed a different type of analytical work than efficiency and economy reviews, and often good data was not available to determine and assess program results. Sometimes program results reviews ended up focusing on the practices and activities used to achieve objectives rather than assessments of whether objectives were attained. But such process evaluations offered valuable information, nevertheless. Some Federal programs, such as the administration of nondiscrimination laws, could be evaluated only in terms of the processes used to achieve stated purposes. In this case, the effects of discrimination against minority groups, such as the handicapped, were difficult if not impossible to pin down. Consequently, GAO evaluated and reported on the sufficiency of activities designed to eliminate or reduce discrimination rather than the actual reduction in discriminatory practices.

A recent example of an evaluation focusing on process was "The World Wide Military Command and Control Systems—Major Changes Needed in Its Automated Data Processing Management and Direction" (LCD-80-22). The report stated that the ADP program's objectives were yet to be achieved because DOD's management was so complex and fragmented that no one organization or person had a complete overview or central responsibility for program funding, budgeting, and management. This problem occurred even though DOD had spent over \$1 billion on the program since its start in the 1960's.

As the Office gained experience and expertise, it made several reviews aimed directly at assessing program impact, or the results that programs were designed to achieve, and identifying causes that inhibit satisfactory performance. Examples include:

- "Early Childhood and Family Development Programs Improve the Quality of Life for Low Income Families" (HRD-79-40). Combining the results of independent research and its own work, GAO reported that these programs did result in reduced health, social, and educational problems in young children. Only a small percentage of children and families needing such assistance received it, however.
- "War on Organized Crime Faltering—Federal Strike Forces Not Getting the Job Done" (GGD-77-17). This report discussed the failure of 13 Federal agency strike forces to eliminate or even control organized crime. GAO also cited the need for the Department of Justice to develop

**Figure 3-2**  
**Summary Of Staff Years Used By GAO Program Category\***

	Financial	Efficiency & Economy	Ongoing Program	Costs/benefits	Special Studies	Other
1978	471 (9%)	1288 (25%)	2577 (50%)	218 (4%)	349 (7%)	241 (5%)
1979	333 (6%)	1204 (23%)	1910 (37%)	254 (5%)	554 (11%)	881 (17%)
1980	312 (6%)	1278 (24%)	1859 (35%)	320 (6%)	600 (11%)	913 (17%)

\* Includes direct assistance work.

criteria and establish a system to evaluate the effectiveness of the program.

By 1977 the Program Analysis Division (PAD) had begun to exercise its presence in evaluation. PAD's evaluation responsibilities were to provide leadership in developing improved techniques and methods for program evaluation and to improve program evaluation through assistance in the legislative process. To help develop and demonstrate the scientific nature of evaluation methods, a distinguishing trait, PAD undertook evaluations of significant national issues and programs, including:

- “The National School Lunch Program” (PAD-77-6), the first report to demonstrate a methodology for comprehensive evaluation of the school lunch program, to identify the program’s potential for adverse health effects, and to define national price-participation relationships.
- “Handgun Control: Effectiveness and Costs” (PAD-78-4), which had to use a variety of analytical approaches to provide the needed

information. The report demonstrated that multiple evaluation methods could be especially useful in analyzing the increasingly complex issues facing GAO and the Congress.

Concurrent with program evaluations, PAD also made program and economic analyses which developed from work focused originally on budget-related issue analyses. The emphasis on the budget dropped soon after the work started, but the complex and sometimes controversial issues addressed were not bound by a single program, agency, or level of government; in fact, several transcended international boundaries. Landmark program and policy analyses included:

- “The Long-Term Fiscal Outlook for New York City” (PAD-77-1), which assessed New York’s long-term fiscal and economic prospects and discussed a number of Federal policy alternatives to alleviate long-term decline in the older urban cities and to counteract the short-term swings in national economic activity.



**GAO OFFICIALS AND STAFF** observe the signing of GAO’s reports on New York City’s fiscal problems.

- “Investment Tax Credit: Unresolved Issues” (PAD-78-40), which evaluated the investment tax credit’s role in promoting national economic stability. The report discussed past studies, analyzed their strengths and weaknesses, and indicated a need and direction for future research.

An example of a somewhat specialized type of study in which GAO has increasingly been involved is model evaluation. GAO first used models in the late 1960’s when it contracted for the development of a mathematical model to predict, under varying environmental conditions, the water quality of the Merrimack River Basin in New England. In 1971 GAO issued a report which examined selected aspects of computer-oriented war gaming, simulations, and contract studies sponsored by the Department of Defense.

More recently, in 1974, the Chairman of the House Committee on Science and Technology noted that much of the information in the Federal Energy Administration’s Project Independence Blueprint “was obtained by the use of computer simulation models.” The Chairman requested GAO “to undertake a thorough review and anal-

ysis of the methodology used in the computer program” and cited several specific interests. Thus, GAO became engaged in the comprehensive evaluation of large-scale models. The GAO report said emphasis should be placed on three areas: (1) model verification/validation, (2) sensitivity testing, and (3) model documentation. Moreover, each of the three was identified as being “essential in developing a computer model.”<sup>9</sup>

This effort was followed by a GAO-initiated project in which the Transfer Income Model (TRIM), a large-scale model used in welfare policy analysis, was reviewed and evaluated. This project also resulted in a report to the Congress as well as a guideline on criteria developed in this model evaluation work.<sup>10</sup>

#### **SETTING UP GAO’S EVALUATION CAPABILITY**

GAO’s evaluation skills developed over the course of many years and are still evolving. In 1967 a small systems analysis staff was created in the Office of Policy and Special Studies. In addition to being available to assist GAO auditors, the staff surveyed executive agency implementation of the new planning, programming, and

### **Tax Policy Studies: Important New Work For GAO**

GAO’s work in tax policy is one of the lesser known but potentially most significant new initiatives undertaken since 1966. According to Gerald R. Jantscher, who heads up the Program Analysis Division’s tax policy team, this new work deserves special attention for a simple reason: almost without exception, all GAO issue areas touch on tax law in one way or another. Formerly, the exclusive province of the Congress’ tax-writing committees and the Treasury Department, GAO began studying tax policy questions following enactment of the Congressional Budget and Impoundment Control Act. GAO now assists Congress by supplementing the work of these groups in the overall effort to provide for sound tax policy.

Jantscher, a former Brookings Institution economist and presently chief tax policy analyst, stresses that GAO has actually had the authority to conduct tax policy studies since passage of the Budget and Accounting Act, 1921. Indeed, PAD’s second Tax Policy program plan made note that the famous section 312a of GAO’s charter, which directs the Comptroller General to “investigate \* \* \* all matters relating to the receipt, disbursement, and application of public funds” included the word “revenue.” Jantscher recalled that, during consideration of the program plan, Comptroller General Staats had remarked that the reference to section 312a had caught his eye. He had thought of the section only in terms of tax administration studies, but he recognized the validity of a broader interpretation that encompassed tax policy as well.

Other GAO divisions also encounter tax policy questions in work programmed under other issue areas. In 1978, PAD’s team collaborated on an International Division report on the “Impact on Trade of Changes in Taxation of U.S. Citizens Employed Overseas.” The report attracted a good deal of attention from private groups trying to change the tax laws in this area. Moreover, GAO’s testimony on this report contributed to the passage of the Foreign Earned Income Act of 1978. PAD’s team has also cooperated with the Congressional Budget Office and the Congressional Research Service on a 1978 report for the Senate Budget Committee on tax expenditures and their relationship to spending programs.

Tax expenditures, another issue studied by Jantscher’s tax policy team, are selective tax reductions for special groups and for people engaged in special activities. Examples include the tax deduction for medical expenses and the tax credit for business investments in certain depreciable property. These tax breaks are called “expenditures” because they cause a loss of revenue and thus represent a kind of “spending.”

budgeting system. Based on this survey, the staff planned additional work; however, the Prouty amendment intervened and the staff became involved in the antipoverty program review.

At the conclusion of this work, the analytical staff encountered some roadblocks before finding their niche in GAO. For example, auditors were uncertain how to use the new evaluation skills. Always conscious of the "turf" that GAO's operating divisions thought belonged to them, the staff tried to work in problem areas which were not likely to overlap with other groups' or divisions' areas but which held potential for policy-related results. For example, the staff reviewed the validity of data analysis and preliminary conclusions from the New Jersey Negative Income Tax Experiment. This work led to testimony before the Senate Finance Committee in August 1970 in its hearing on the President's proposed Family Assistance Plan—a major welfare reform proposal.

Following enactment of the Congressional Budget Act, GAO established two new organizational units: the Office of Program and Budget Analysis (OPBA), which was to respond to growing congressional needs in the budget area, and the Congressional Information Service Group (CIS), which was to focus on GAO's program evaluation and information responsibilities. That latter unit, including the small research staff, was established in the Financial and General Management Studies Division (FGMSD) but separate from the systems analysis assistance function. Its mission was to improve congressional and GAO capabilities to require and use information and program evaluation, and to cooperate with Federal, State, and local government agencies in improving information systems and evaluation processes. Both units eventually became part of the Program Analysis Division, which developed evaluation guidelines and methods, investigated the application of Federal funds, and suggested ways for making Government more efficient. Systems analysis assistance and training responsibilities remained in FGMSD.

In April 1980, establishment of the Institute for Program Evaluation reunited the two staffs which originated from the small beginning in 1967. The Institute is to help ensure that GAO uses the best available evaluation methodologies, to provide technical capabilities throughout the Office, to develop evaluation methodologies, and to make program evaluations designed to demonstrate new or improved methodologies. (See also ch. 9.)

## Evaluation As A Fundamental Part Of Program Administration

As GAO built an evaluation capability within its ranks, it simultaneously emphasized the need for the Congress and Federal agencies to use evaluation skills. In August 1972, Staats wrote

to all congressional committee chairmen emphasizing the importance of program evaluation and urging the Congress to incorporate evaluation requirements into all Federal programs. He said, in part:

\* \* \* I urge that the Congress give careful consideration in authorizing new programs, or in reauthorizing existing programs, to including in the authorizing legislation specific statutory requirements for a systematic evaluation by the Department or agency involved of the results of programs in operation.<sup>11</sup>

GAO has emphasized (1) that the executive agencies must assume primary responsibility for gathering and analyzing the program data, and (2) that the Congress should provide the statement of program objectives and possibly even standards of performance to permit evaluation.

Despite similar letters sent thereafter and testimony presented throughout the years, neither the Congress nor the executive branch has made evaluation a standard program requirement. However, GAO staff have worked with committee staff on a few pieces of authorizing legislation to establish clearer program goals and objectives and to incorporate specific evaluation requirements. Many Congressmen also became increasingly aware, particularly in the late 1970's, that committees needed to do a better job of overseeing the programs under their jurisdiction. Members in both the House and the Senate have sponsored sunrise and sunset legislation, which can improve reporting requirements. Sunrise legislation would require clear statements of objectives and reporting requirements before programs are authorized operating funds. Sunset legislation would require ongoing programs to be reconsidered periodically before they are authorized additional funds.

GAO supported this reform legislation as a means for the Congress to improve exercise of its oversight responsibilities by acquiring knowledge about the operation and results of laws and programs, interpreting such knowledge so it could judge the effectiveness of existing laws and programs, and effecting needed improvements. GAO also developed a set of suggestions for congressional oversight based on a request from Senator Patrick J. Leahy. The PAD report outlined a process for planning and carrying out congressional oversight that committees could use to keep track of programs as they were carried out or changed in response to legislation.<sup>12</sup> Despite extensive hearings and study, the Congress has not taken final action on any of these proposals.

In carrying out its responsibility to strengthen Federal agency evaluation capabilities, PAD issued several reports on program evaluation

methodologies. The first, issued in 1976, sought to establish a conceptual framework and a common language in which analysts from various backgrounds could work and communicate effectively as they grappled with problems related to program evaluation.<sup>13</sup> Another report, produced by the Social Science Research Council under contract with GAO, extended work begun by the small central group in its 1970 review of the New Jersey Negative Income Tax Experiment. It represented recognition by the social research community of GAO's role in audits of social research intended for policy decisions. The council's report recommended methods and techniques for auditing social experiments and focused on the issues of reinterviews, their impact on the outcome of social experiments, and alternative techniques to monitor research quality. The report also suggested action GAO should take to improve the quality of social science research in general, including reporting both the beneficial and adverse effects of social programs and developing in-house staff expertise.<sup>14</sup>

A third report, issued in October 1979, resulted from GAO's recognition of common problems which all evaluators must resolve to ensure valid and useful studies. The report established six criteria—relevance, significance, validity, reliability, objectivity, and timeliness—which evaluations must meet, particularly those whose conclusions are based less on concrete facts and figures and more on interpretations of opinions and observations.

PAD also helped to establish the Federal Agency Evaluation Directors Seminar which met every 6 weeks and involved evaluation representatives from almost all the executive agencies. Close contacts are maintained with the professional communities that have an interest in evaluation, as well as with State and local government evaluators and representatives of auditing, evaluation, and policy groups from many countries and international organizations.

GAO further sought to improve Federal evaluation management and policy with reviews of agency evaluation activities. The earliest work of this nature was a 1975 survey of evaluation functions throughout most of the larger agencies. The Office also studied agency evaluations of particular programs or activities and often found that adequate evaluations were not being made.

GAO staff members who are active in the professional evaluation societies have seen a change in attitudes in the last 3 or 4 years. Other evaluators at first wondered why GAO was interested in evaluation, and there was even some hostility to GAO's presence. They now have become more aware of GAO's ideas, efforts, and people.

\* \* \*

In 1966 GAO's primary work was financial audits and reviews of efficiency and economy. By 1981, the Office had firmly established program results reviews, evaluations, and analyses as major additions to the services it provides. GAO now reports not only how Federal moneys are spent but also whether Government programs are achieving their goals and objectives. The addition of program results reviews and evaluations to GAO's work plans was not an easy one. It entailed convincing Federal agencies to improve their own financial management so that GAO could devote more time to program oversight and establishing with the Congress the legitimacy of GAO's new role. It also required that the staff redirect its thinking and develop new capabilities.

GAO's constant striving to establish a credible evaluation capability reflects the many problems faced by the evaluation community in general. Recent statistics show that evaluations—whether performed by GAO or another institution—can enable decisionmakers to apply increasingly scarce resources more effectively, and the de-



FEDERAL AGENCY EVALUATION DIRECTORS' seminar, December, 1978.

mand for good evaluations has grown both in and out of Government. However, the results of many evaluations have fallen short of the sponsors' expectations, and often the reports lie unused in program managers' files. Although the experience gained will be valuable to future efforts, more remains to be done before GAO's program evaluations become fully accepted and used.

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1. U.S. Cong., Senate, Committee on Labor and Public Welfare, *Report on Economic Opportunity Amendments of 1967*, 90th Cong., 1st sess., S. Rept. 90-563 (Washington, D.C.: GPO, 1967), p. 208.
  2. Public Law 90-222 (Dec. 23, 1967).
  3. Comptroller General's report, "Review of Economic Opportunity Programs" (B-130515, Mar. 18, 1969).
  4. U.S. Cong., Senate, Committee on Labor and Public Welfare, *Economic Opportunity Amendments of 1969*, 91st Cong., 1st sess., (Washington, D.C. GPO, 1969), p. 7
  5. U.S. Cong., Senate, Committee on Labor and Public Welfare, *Hearings on Economic Opportunity Amendments of 1969*, 91st Cong., 1st sess. (Washington, D.C.: GPO, 1969), p. 367.
  6. U.S. General Accounting Office, *Annual Report of the Comptroller General*, 1970 (Washington, D.C.: GPO, 1971), p. 74.
  7. Comptroller General's report, "Status of the Acquisition of Selected Major Weapon Systems" (B-163058, Feb. 6, 1970).
  8. *Ibid*
  9. Comptroller General's report, "Review of the Project Independence Evaluation System" (OPA-76-20, Apr. 21, 1976).
  10. Comptroller General's report, "Guidelines for Model Evaluation" (PAD-79-17, Jan. 1979)
  11. Comptroller General Staats, Letters to House and Senate Committee Chairmen, 11 Aug. 1972.
  12. Comptroller General's report, "Finding Out How Programs Are Working: Suggestions for Congressional Oversight" (PAD-78-33, Nov. 11, 1977)
  13. Comptroller General's report, "Evaluation and Analysis to Support Decisionmaking" (PAD-76-9, Sept. 1, 1976)
  14. Comptroller General's report, "Audits and Social Experiments" (PAD-79-1, Oct. 1978)



# Chapter 4

## Efforts to Improve Government Financial Management

Ensuring effective financial management systems in Government has not often been on the "front burner" in Washington or been a pressing issue to the public, despite the huge sums at hazard to fraud, abuse, and waste and the occasional front-page scandals. But during the 1930's and early 1940's, the need to improve the Government's financial controls was recognized by a number of national study groups. They declared that the existing Federal budgeting and accounting systems were archaic, confused, submerged in red tape, and of little use to management. The state of the art was low compared with that in private industry; for instance, accounting and auditing processes were so intermixed that it was almost impossible to distinguish them and auditing was severely handicapped.<sup>1</sup>

The three central financial agencies—Treasury; GAO; and OMB's predecessor, the Bureau of the Budget—pursued different ends and imposed conflicting requirements on the operating agencies. Treasury was interested in the inflow-outflow of funds and the Government's cash position, and the Bureau was concerned with appropriations and managerial control. At the same time, GAO was mandated to prescribe accounting systems, forms, and procedures and to monitor the legal and proper use of funds. It also prescribed a Government-wide chart of accounts. Operating agencies had to keep separate, often irreconcilable accounts to satisfy these separate demands as well as their own internal needs.<sup>2</sup>

Not until after World War II did the three agencies begin to coordinate their work through what eventually became the Joint Financial Management Improvement Program. Over the years, and especially in recent years, the joint program was associated with many large-scale efforts to improve budgeting, accounting, auditing, cash management, central financial operations, financial staffing, and supportive legislation. But progress was not always smooth. Some agencies were passive or opposed the joint program's efforts, and the enthusiasm of the founders was not shared by all their successors. Government programs suffered because intermediate and lower level managers were deprived of the insights good accounting data could provide. Also, the dialog between accountants and management was often not sufficient to work out system output needs. GAO stressed this information vacuum repeatedly.<sup>3</sup>

In spite of these problems, GAO strengthened

its campaign for financial management improvement using staff assigned exclusively to this work. This chapter discusses these efforts and related developments, including the establishment of various accounting standards boards, to improve accounting practices in both Government and private industry.

### Making Financial Management A Joint Responsibility

Although the 1921 Budget and Accounting Act required the Comptroller General to prescribe the forms, systems, and procedures for Government accounting, controversy persisted for many years about whether accounting leadership properly resided in GAO or somewhere in the executive branch.

Soon after World War II, aides to the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget, together with staff members of the Senate Committee on Expenditures in the Executive Departments, began informal talks. They discussed how to coordinate their several requirements, integrate line agency accounting practices for adaptation to central needs, and at the same time enhance an agency's managerial control over operations.<sup>4</sup>

The present-day Joint Financial Management Improvement Program, a bridge between the three agencies, emerged from these talks in 1948. It was then known as the Joint Program for Improving Accounting in the Federal Government. Calling for voluntary, Government-wide action, the agency heads hoped to get financial systems installed which met each agency's managerial needs as well as central agency and congressional requirements.<sup>5</sup>

### Early Efforts To Improve Accounting Systems

After enactment of the George Act and the Corporation Control Act of 1945, which authorized GAO to do annual commercial-type audits of Government corporations (see ch. 1), Comptroller General Lindsay Warren moved quickly to develop a more sophisticated capability in GAO. Experienced accountants were hired from outside, public accounting firms were retained as consultants, and accounting graduates were recruited from colleges. The conversion to accounting professionalism had begun.

In January 1948, Comptroller General Warren created an Accounting Systems Division with

some 60 professional accountants separate from GAO's audit organizations. The division was to spearhead the joint program and to work with Treasury, Bureau of the Budget, and line agency financial staffs. The division's accountants began advising the line agencies and reviewing their proposed systems, as the management services staff of a large accounting firm would do.<sup>6</sup>

The first Hoover Commission in 1949, with its recommendations stressing the managerial uses of accounting, also had a profound effect on GAO's scope and operations. Its view was identical to that of the joint program principals, and most of its recommendations became law. For instance, the Federal Property and Administrative Services Act of 1949 (Public Law 152) authorized GAO to prescribe principles and standards for property accounting systems, a function sought for GAO by the joint program members.

The most significant financial management legislation of the period, and perhaps since GAO was founded, was the Budgeting and Accounting Procedures Act of 1950, another legacy of the first Hoover Commission. The joint program had a large hand in writing this legislation, particularly title I, part II, called the Accounting and Auditing Act of 1950. Agency accounting systems were significantly affected by this new law. They were declared to be the responsibility of executive branch agency heads, and were required to fol-

low the principles and standards which the act authorized the Comptroller General to establish.

### **Managerial accounting concepts not widely accepted**

Despite the benefits offered by improved accounting systems, few agencies were eager for change. There was never a ground swell of demand for first-class financial management systems, nor was there a penalty for noncompliance with GAO requirements. Generally, agency administrators expected their accountants merely to "bookkeep" obligations and disbursements and to ensure compliance with the laws, but not to venture into more sophisticated accounting system designs.

The Office of Management and Budget, Treasury, and GAO collaborated on the original and each new edition of Federal agency guidance, and although each edition called for accrual accounting, the executive agencies—including Treasury—remained on an obligation-cash basis. The law did not actually require that the systems use accrual accounting—a concept GAO defines as

\* \* \* *The basis of accounting under which revenues are recorded when earned and expenditures are recorded when goods are received and services performed even*



**JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM** principals' meeting in 1974 to sign terms of reference. Seated at the table (l. to r.) are William Simon, Secretary of the Treasury; Robert Hampton, Chairman, Civil Service Commission; Elmer Staats, Comptroller General; Arthur Sampson, Administrator of General Services; and Robert Marik, Associate Director for Management and Policy, Office of Management and Budget.

*though the receipt of the revenue or the payment of the expenditure may take place, in whole or part, in another accounting period.<sup>7</sup>*

Use of the accrual method for preparing the budget on a cost basis was also resisted by important power centers in the Congress. In the words of the House Committee on Government Operations:

*[This Committee] has never been enamored with the idea that accrual accounting and so-called cost-based budgeting are necessary or even desirable in many agencies of Government.<sup>8</sup>*

The Atomic Energy Commission presented a cost-based budget using accrual accounting, but the Congress forced it to return to an obligational basis in requesting funds. The Commission, however, continued to use cost-based budgets internally and present them for information purposes. The committees preferred the traditional obligational system because it enabled the Congress to prescribe maximum amounts that could be paid out of a given appropriation. Thus, without pressure from the committees which control their funding, the operating agencies successfully avoided the extra effort required to institute cost-based budgets supported by full accrual accounting procedures.

Agency resistance to accrual accounting hit home in the 1960's when the planning, programming, and budgetary system that President Johnson wanted installed throughout Government was deterred by the lack of cost data that only full accrual and depreciation accounting could produce.<sup>9</sup>

#### **ACCOUNTING SYSTEM APPROVAL RATE FALLS OFF**

GAO's own impetus toward accounting system improvement fell off in 1956 when the Accounting Systems Division was abolished and its functions transferred to the audit divisions. Comptroller General Campbell believed that day-to-day assistance in developing systems was more the business of the executive branch, as the two Hoover Commissions had asserted. The systems division staff, except for a small policy staff, were diffused throughout GAO's audit organizations. It was a signal to some that GAO's endeavors in financial management would decline.<sup>10</sup> For the next decade, in fact, GAO concentrated almost exclusively on agency and contract audits outside the accounting systems sphere. Until March 1966 only two or three people on the Accounting and Auditing Policy Staff were involved in system approvals.<sup>11</sup>

The two Hoover Commissions had recommended that Bureau of the Budget specialists conduct year-round on-the-spot reviews of agency

budget preparation, accounting, and reporting and other aspects of the budget process. The Bureau increased its accounting staff in the late 1950's but was unable to get enough funding to support even one-third of the technical staff that GAO's Accounting Systems Division had employed.<sup>12</sup> The Bureau and its successor, the Office of Management and Budget, issued bulletins on financial improvement programs. However, these instructions were not mandated, and there was no followup. Even though there was ostensible agreement between the guidelines provided by both the Bureau and GAO, the latter carried the main burden of enforcing them.<sup>13</sup>

Government accounting system improvement, according to the House Committee on Government Operations, was "disappointingly slow" after an initial surge caused by passage of the 1950 Accounting and Auditing Act. Some agencies slipped their promised compliance deadlines repeatedly—even those scheduled several years in the future.<sup>14</sup> In addition to citing the leadership vacuum, critics claimed that GAO's accounting principles and standards were too uncompromising and heedless of the special situations in some agencies.<sup>15</sup> On the other hand, GAO had to see that accounting systems conformed to sound accounting principles and accommodated the myriad of congressional information requirements.

A number of new laws seeking financial management improvements in the Government were enacted in the mid-1950's. These laws and the accounting climate of the times motivated GAO to publish a guidance manual for Federal agencies, a consolidation of previous GAO memorandums.

The approval rate was not high. Of 173 accounting systems subject to approval, 45 were approved as conforming to the Comptroller General's principles and standards from 1950 to 1959. Only three additional accounting systems were approved from 1960 to 1964.<sup>16</sup> This excludes those of the Department of Defense for which there was no accurate count available. Even then, the statistics overshadowed another problem pointed out in a GAO report:

*While this report shows 41 complete systems as having been approved by the Comptroller General in civil departments and agencies, this does not necessarily represent the number that would be deemed adequate when measured against current principles and standards. Because of subsequent legislation and refinements in prescribed requirements, most of the systems that have been approved need reexamination \* \* \*<sup>17</sup>*

These bleak statistics, of course, did not take into account qualitative improvements in general

financial management, such as more sophisticated financial structures; appointment of comptrollers; more consistent classifications for budgeting, accounting, and reporting; automatic data processing; and improved internal audit staffs.<sup>18</sup> Still, the snail's pace of accounting system approvals was exasperating, and GAO and the agencies often disagreed about which features of proposed systems were necessary and practical. In addition to concerns about the extent to which accrual accounting would be applied and whether depreciation should be used as a cost factor, there were disagreements on such issues as how to account for transfer costs and how to allocate general and administrative expenses.<sup>19</sup>

#### **ATTEMPTS TO EXPEDITE SYSTEM APPROVALS**

The House Government Operations Committee held hearings in 1964, 1966, and 1967 to wrestle with the problem of laggard accounting system improvements. The Committee explored a number of possible actions, including legislation to hold up the funding of those agencies failing to meet their deadlines for system improvements. But such legislation was deemed to be impolitic, if not too severe.<sup>20</sup>

The Committee's 1965 report recommended

fresh effort by the three central accounting agencies and more vigorous recruiting and training of accounting professionals by the Civil Service Commission. GAO was asked to step up its reviews of accounting systems and to encourage and assist the line agencies through personal initiatives of the GAO staff.<sup>21</sup>

In 1965 GAO decided to pursue accounting system improvements during audits of agency operations and thus broaden the avenues for corrective action. It was hoped that auditors finding deficiencies in agency operations could point out root causes in the accounting systems and offer help in applying the Comptroller General's accounting principles and standards.

Combining accounting systems work with agency audits did not work out very well. The arms-length character of traditional auditing vis-a-vis the collaboration required to work out system improvements proved over time to be rather incompatible. The agencies were wary of GAO auditors wearing two hats. And some auditors apparently were not well versed in the Comptroller General's principles and standards. In addition, GAO staff were fearful of conflict of interest, because they might have to audit their own recommendations down the road.

### **Keeping Accounting Principles And Standards Up With The Times**

GAO's "Accounting Principles and Standards for Federal Agencies [title II]" has been a dynamic document, as evidenced by the many changes made in it over the years. Up to the mid-1960's, most changes were additions to the 1957 version based on plans existing when the manual was originally issued. They were based on new legislation, new accounting principles in the private sector, and requirements issued by Treasury and Bureau of the Budget. But many changes relating to procedural matters and the internal workings of the accounting system, such as internal controls, were GAO's.

The bases for these changes lay in the governmental environment and the responsibilities assigned to GAO. It is interesting to note that private sector accounting principles concern financial reporting exclusively, whereas GAO principles have gone beyond that to include procedural aspects of systems design and operation. In the private sector, procedural aspects are left to management rather than standard-setting bodies.

New types of agreements and transactions or more frequent use of existing ones necessitated further changes. Examples include lease-purchase agreements, more frequent leasehold improvements, and more foreign currency transactions. Private standard-setting bodies, the Accounting Principles Board, and the Financial Accounting Standards Board did research and issued authoritative pronouncements on these transactions and agreements, as well as other concerns, such as reporting changes in financial position. Based on these private sector standards and GAO's own initiative, further changes to title II provided even more coverage in these areas.

In the 1960's, the Federal Government began large-scale grant and subsidy programs and increased the number of insurance and guarantee programs. Many title II requirements resulted. Examples include specific requirements for reporting contingent liabilities common among guarantee and insurance programs. The most recent revision to title II was made in 1978.

GAO's financial management staff believes that recent advancements in the state of the accounting art call for another updating of title II. The first step underway is the establishment of a conceptual framework upon which current accounting practices can be evaluated and standards can be established and maintained.

## **Efforts To Revive Financial Management Improvement—1966 to 1981**

The status of financial management was bleak in 1966. By then, annual Government expenditures exceeded \$125 billion. At this point, 16 years after the Accounting and Auditing Act of 1950, GAO had approved only about a third of the accounting systems of the civil departments and agencies. No systems had been approved in the Department of Health, Education, and Welfare or any of its eight agencies. In the Department of Defense, only the Corps of Engineers (civil functions) had passed muster and the number of separate accounting systems was not even known.<sup>22</sup> These two departments, which administered most of the Federal budget, asserted their accounting systems were very difficult to systematize because of their size and complexity and the huge variety of information needed from their systems.

### **REINVIGORATING THE JOINT PROGRAM AND OTHER INITIATIVES**

The Joint Financial Management Improvement Program was moribund when the new Comptroller General came to office. Early on he met with other joint program members to consider ways of stepping up the pace. They saw a need for more professional accountants throughout the Government and intensified recruitment and training in cooperation with the

Civil Service Commission. The Chairman of the Commission joined the program as a principal.

GAO pushed for Federal financial improvement in other ways. In 1966 GAO assisted in drafting a Presidential memorandum in which President Johnson requested all departments and agencies to move forward in this important area. The Comptroller General and his top aides met with a dozen agency executives in the spring to discuss system design and approval status, exchange views, and "clear the decks" as he put it.<sup>23</sup> In June, a memorandum to the heads of GAO divisions and offices from the Comptroller General emphasized the need to collaborate with the executive agencies and pointed out that the responsibility for Government financial improvement was as important as any other responsibility in GAO's charter. GAO staff were directed to:

- Develop a continuing day-to-day relationship with agency officials and staff to facilitate cooperative system improvements and seek a common understanding of accounting system concepts and goals.
- Identify for the agency heads the specific areas where system improvements and added training are needed.
- Keep informed on system changes underway and provide technical guidance and help as appropriate.
- Be available at all times to encourage improvement efforts and to help resolve problems.<sup>24</sup>

## **The Commission On Budget Concepts**

In 1966 three separate Federal budgets were in use: the administrative budget, the consolidated cash budget, and the national income accounts. The competing budgets were difficult to reconcile, and their concepts and terms were confusing to many.

The joint program and other authoritative observers had long urged unifying accounting systems to target central budget needs. In March 1967, President Johnson established the President's Commission on Budget Concepts to begin such unification. Appointed to the Commission were the Comptroller General, Secretary of the Treasury, Director of the Bureau of the Budget, Senators, Congressmen, and distinguished accountants and economists from the private sector. The centerpiece of the Commission's recommendations was a unified summary budget statement to be used for the President's January budget, Treasury financial reports, congressional hearings on taxes and agency budgets, and public debate.

Of special interest to GAO's position on accounting principles and standards was the Commission's support for accrual accounting. Bureau of the Budget Bulletin 68-10, with which GAO concurred (B-115398, May 8, 1968), conveyed the Commission's recommendation that expenditures and receipts—and the Federal sector of the national income accounts—be reported on the accrual rather than the cash basis. But because the national budget "drives" Government accounting systems and given the congressional preference for the obligational format, accrual accounting lost out and Bulletin 68-10 faded away. Beyond sustaining accrual accounting as a standard, GAO could do little more on its own. The only available avenue was to assign accrual accounting to the joint program where a united front could be organized, further research pursued, and solutions offered to the agencies. This was done in 1971.

In 1980, GAO urged creation of another budget concepts commission to determine how the budget process could be updated to meet the analytical needs of the 1980's and beyond. The commission would be charged with restoring unity and consistency, improving managerial and program accountability, and examining the feasibility of longer term budgetary planning.

The Accounting and Auditing Policy Staff was to be the GAO focal point for accounting system improvement and to provide guidance, direction, and followup. It was directed to work with GAO's Office of Personnel Management to intensify in-house training. An enlarged policy staff was authorized, and by 1970 about 55 professionals were assigned to system approval work.<sup>25</sup> In addition, quarterly status reports on systems submitted for GAO approval were required of the divisions.

#### A SEPARATE DIVISION FOR ACCOUNTING AND FINANCIAL MANAGEMENT

In 1971, to further focus attention on the need for improved financial management systems, a new division was established—the Financial and General Management Studies Division. Within the division, a Financial Management Group was established to cultivate improved accounting systems in the operating agencies. The group was charged with prescribing GAO's accounting principles and standards, informally helping the agencies to upgrade their systems, and reviewing and approving agency accounting systems which met GAO's prescribed requirements. A separate FGMSD group, called Systems in Operation, established in 1972, was to audit approved systems in use on a selective basis as required by the Accounting and Auditing Act of 1950. Still another group—the Automatic Data Processing Group—was established to deal with the impact of computers on financial management systems. These groups, and the entire division, in fact,

were to collaborate closely with the joint program. In October 1980, the division's name was changed to the Accounting and Financial Management Division (AFMD) and its head designated GAO's Chief Accountant, to further ensure that GAO effectively carries out its financial management responsibility.

#### ACCELERATING THE APPROVAL OF AGENCY ACCOUNTING SYSTEMS

In 1966, GAO's approval procedure for accounting systems had two stages. Stage one was a review of the agency's stated accounting principles and standards underpinning the proposed system. Stage two was reviewing the accounting system, or segments of it, in actual operation. Approvals stepped up markedly in 1968 when 10 complete systems, 3 system segments, and 15 statements of agency principles and standards met GAO's requirements.<sup>26</sup>

In a further move to expedite matters, the GAO approval process was changed in October 1969. First was review of an agency's accounting principles and standards. Next was examination of the accounting system documentation—the design. This change allowed GAO to confine its review to the design without becoming involved in the many details associated with a system's regular operation. GAO still reviewed systems in operation but only on a selective basis.<sup>27</sup> The new approach confused year-to-year statistics on system approvals but was more logical and realistic.



**NOT ALL WAS SERIOUS BUSINESS** at signing ceremony for GAO approval of FBI accounting system, April 27, 1977. Seated at table are Mrs. Clarence M. Kelley; Clarence M. Kelley, Director, Federal Bureau of Investigation; Elmer Staats, Comptroller General; and Kevin Rooney, Acting Assistant Attorney General for Administration.

With the consolidation of all financial management system work within FGMSD, renewed emphasis was placed on securing agency submissions of their accounting systems for approval. Guidance to agencies was simplified, system documentation review guides were developed, and other aids to planning and documenting accounting systems were published. Direct contacts were established between GAO officials and agency heads. The Comptroller General became personally involved when problems appeared to be insurmountable. These in-

tensified efforts began showing an immediate payoff. In the short span of 4 years, (1970-74), an additional 50 agency accounting systems were approved, 5 more than had been approved in the previous 20 years. Continually reinforced by congressional support, growing OMB recognition of the need for approved accounting systems, and direct contacts with agency heads by GAO officials, the number of approvals almost doubled over the next 5 years, between 1975 and 1980, when 98 more accounting systems were approved. Of the 312 agency accounting

**Figure 4.1**  
**Status Of Accounting Systems As Of Sept. 30, 1980**

	Principles and standards			System designed		
	Approved	Unapproved	Subject to approval	Approved	Unapproved but operating	Under development
<b>Civil departments and agencies:</b>						
Agriculture	6	—	6	3	1	2
Commerce	8	—	8	7	1	—
Education	2	1	3	2	1	—
Energy	7	—	7	4	3	—
Health and Human Services	29	—	29	6	23	—
Housing and Urban Development	2	—	2	1	1	—
Interior	15	—	15	11	—	4
International Development Agency	4	—	4	1	1	2
Justice	11	—	11	10	—	1
Labor	2	—	2	2	—	—
State	8	—	8	4	2	2
Transportation	9	—	9	7	1	1
Treasury	20	—	20	18	1	1
General Services Administration	9	—	9	3	3	3
Veterans Administration	8	—	8	7	1	—
Other agencies	51	3	54	34	12	8
<b>Total Civil</b>	<b>191</b>	<b>4</b>	<b>195</b>	<b>120</b>	<b>51</b>	<b>24</b>
Percent	98	2	100	62	26	12
<b>Department of Defense:</b>						
Air Force	29	—	29	25	3	1
Army	14	—	14	9	3	2
Navy (including Marine Corps)	45	—	45	30	6	9
Defense Agencies	17	—	17	9	3	5
<b>Total Defense</b>	<b>105</b>	<b>—</b>	<b>105</b>	<b>73</b>	<b>15</b>	<b>17</b>
Percent	100	—	100	70	14	16
<b>District of Columbia government</b>						
	1	—	1	—	—	1
<b>Total</b>	<b>297</b>	<b>4</b>	<b>301</b>	<b>193</b>	<b>66</b>	<b>42</b>
Percent	99	1	100	64	22	14

systems which had been identified in 1980 as subject to GAO approval, 193, or 64 percent, have been approved.<sup>28</sup>

More progress is in the offing. Both the Departments of Defense and Health and Human Resources, which account for more than half the Federal Budget, recently made major policy decisions to correct accounting deficiencies which had previously prevented approval of some 56 of their systems.

### AUDITING INSTALLED SYSTEMS

AFMD's Systems in Operation Group reviews Federal agency accounting systems in operation to evaluate their effectiveness and efficiency in producing reliable financial reports for internal and external use and in contributing to management control of agency resources and decision-making processes.

The large size and growing complexity of Federal programs and the geographical dispersion of agency accounting functions (the U.S. Army alone has 130 disbursing offices worldwide), coupled with the wide variety of accounting information needed by Government managers at all levels, have created the need for highly complex accounting systems having increasingly difficult-to-manage data bases. The Systems in Operation Group has developed a variety of approaches to review the large, complex accounting systems. Using these approaches, the group made hundreds of reviews and studies which resulted in recommendations for improving accounting systems and financial management techniques. Generally, the reviews showed deficiencies in such items as

- pricing, billing, and collecting systems accounting for amounts owed the Federal Government;
- cost accounting;
- accounting controls;
- cash management procedures and practices; and
- payroll systems.

These reviews continue to help focus on the need for adequate agency accounting systems.

### COMPUTER-BASED ACCOUNTING SYSTEMS

Practically all major financial and management systems in the Federal Government are now computerized. This fast-moving technology (2,500 computers in Government in 1965; 15,800 in 1980) has profoundly affected GAO's pursuit of financial management improvement.<sup>29</sup>

The promise of high-speed computerization was enormously attractive to Government and private sector managers. Data manipulation could be speeded up by several orders of magnitude, and information bits could be arranged and displayed to meet any imaginable need or convenience. Often, however, these expensive

machines were acquired without much understanding of their intricacies or possibilities.

The new complex technology, with its esoteric language, meticulous procedure layouts, and intricate transaction networks, was not easy for agency personnel to assimilate. On the other side, computer programmers, steeped in computer lore, sometimes found accounting rituals difficult to understand and cope with. Managers and programmers were often on entirely different wavelengths and were wary about their respective turfs. Without adequate understanding and communication between the two sides, the "sins" of a manual system could be transferred intact to the computer, audit trails could be disjoined, financial reports could become degraded and mistrusted, and loopholes for fraud and waste could be overlooked.

GAO reacted in three ways to the advent of computers in financial management systems. First, it evaluated computer hardware and software acquisition for their contribution to economy, and efficiency, and effectiveness in Government. The second approach was to check the auditability of computer-based systems. The third was to make sure that computer-based systems did not bypass or short-circuit sound accounting standards and principles.

In addition to employing computer technicians and scientists, FGMSD set up a staff of about 50 computer auditors—a new kind of expert otherwise scarce in GAO and the agencies. Financial system progress depended on how well the new specialists bridged the gap between the computer room and the executive suite.

### FURTHER STEPS TO ACTIVATE THE JOINT PROGRAM

Further steps were taken to develop a more active role for the joint program. The post of executive director was created and a small permanent staff was installed in 1973. In 1974 the Office of the Joint Financial Management Improvement Program was established in GAO, the costs to be shared by the member agencies. An executive secretary was appointed to handle public affairs and maintain liaison with representatives designated by the operating agencies. The steering committee members, surrogates for the joint program principals, were asked to organize joint studies of financial management areas, devise short- and long-range plans for specific improvements, keep in close touch with operating agency efforts, and designate joint improvement project teams by drawing on the staffs of the joint program members and the operating agencies affected.

### Renewed Collaboration Between OMB And GAO

The drive for financial management improvement, particularly for modernized accounting

practices, has had its ups and downs over the past 30 years, but a new effort launched by the Office of Management and Budget holds promise.

In May 1979, because of numerous GAO and agency internal audit reports which the media widely reported, OMB announced the Financial Priorities Program, an initiative for upgrading financial management and internal controls in the executive agencies. Some problems, had become intolerable, such as audit findings accumulating to \$4.3 billion; unresolved, unpursued bad debts totaling \$3 billion a year; overobligations in the hundreds of millions of dollars; and most major accounting systems falling short of the Comptroller General's principles and standards.<sup>30</sup>

Something more than the usual exhortations was needed—and the new OMB program was to have some teeth. In consultation with the Comptroller General, the Director of OMB developed the following main goals for the first phase of the Financial Priorities Program.

- **Accounting systems:** Get General Accounting Office approval of all systems.
- **Internal control:** Upgrade control systems to reduce the risk of fraud, abuse, waste, and inefficiency.
- **Cash management:** Build upon the work of the President's Cash Management Project.
- **Audit followup:** Resolve findings promptly and properly and hold down the backlog.
- **Outlay estimating:** Improve accuracy and timeliness.
- **Debt collection:** Use proper accounting and take prompt aggressive collection actions.
- **Overtime:** Ensure accurate accounting and tighter control.
- **Grant financing:** Increase use of letters of credit and electronic fund transfers and recover unspent funds.
- **Grant accountability:** Fully implemented cost principles and standard administrative requirements.<sup>31</sup>

To meet these goals, OMB planned to integrate the Financial Priorities Program into the budget review process, work with GAO to improve executive branch policies and standards, and collaborate with the Office of Personnel Management and individual agencies to have specific financial improvement goals in personnel appraisal criteria. Inspectors general were asked to consider these financial priorities in ordering their work schedules. OMB is also revising its circulars to strengthen executive branch audit policy and to tighten adherence to cost principles in grant administration.<sup>32</sup>

Soon after the Financial Priorities Program was announced, meetings were held between high-level officials of OMB, GAO, and the various agencies to discuss the number-one priority, getting accounting systems up to par. Some

agencies made firm commitments to submit their systems to GAO for approval, and others showed new interest in solving persistent problems that had prevented past approval.

## Other Significant Financial Management Events

In the period 1966-81, there were many organizations and events affecting Government accounting and financial management in which the Comptroller General participated that were not directly related to either GAO's activities or the Joint Financial Management Improvement Program.

### CONSOLIDATED FINANCIAL STATEMENTS

Business-type overview statements of the Government's financial affairs had long been advocated by the joint program principals and private sector experts. But the complexity and variety of Government activities, unique conceptual problems, and the state of the art in Government accounting seemed for many years to preclude such financial statements.

The Legislative Reorganization Act of 1970 brightened the possibilities for overview statements by requiring standardized terminology, coding, and classification of budgetary and fiscal data. By the mid-1970's, too, most agency accounting systems had improved enough to make consolidated financial statements worth a dedicated try.

In 1976 the Secretary of the Treasury put together an advisory committee of nationally known specialists and Government officials, including the Comptroller General, to explore the new prospects. The 2-year charter of the Advisory Committee on Federal Consolidated Financial Statements called for considering a number of technical issues, such as the format of the statements and how to report pensions, commitments, and contingencies.<sup>33</sup>

Since 1976 the Treasury has produced annual consolidated statements in prototype form for exposure and comment, but many problems must be resolved before a clear consensus can emerge.

In support of the effort, the Comptroller General chaired the Interagency Advisory Committee on Consolidated Financial Statements and task groups staffed with GAO and other agency representatives studied tax accrual, allowances, depreciation, and several other conceptual problems. Their final reports are expected in January 1981. The Committee will go out of business in March 1981.

### COST ACCOUNTING STANDARDS BOARD

On August 15, 1970, an amendment to the Defense Production Act of 1950 (Public Law 91-379) created a new agency, the Cost Accounting Standards Board, to develop and promulgate

uniform cost accounting standards for defense contractors and subcontractors.

Legislative action on defense contractor cost standards can be traced, in part, to the efforts of Admiral Hyman L. Rickover. For a number of years he had testified, before congressional committees, on the need for standardized cost accounting procedures for defense contracts. Rickover continually hammered away at the Government's inability to adequately identify contractor costs with specific negotiated contracts. He argued that, because industry, the accounting profession, and the executive branch would not establish standards, the initiative would have to come from the Congress.<sup>34</sup>

#### • **The GAO Recommendations**

Based substantially on Rickover's testimony, which was supported by Senator William Proxmire, Public Law 90-320 was enacted in July 1968 directing the Comptroller General to study the feasibility of applying uniform cost accounting standards to negotiated defense procurement contracts and subcontracts of \$100,000 or more. GAO determined that uniform and consistent cost accounting standards were feasible and necessary. This report became the cornerstone of the Cost Accounting Standards Board.

Both the House and the Senate held hearings in the spring and summer of 1970 to examine GAO's findings. Testimony presented at these hearings reflected the views of various Federal agencies and industry representatives on the GAO report. Opponents of cost accounting standards attacked the manner and methodology of the report. They also objected that the cost of implementing and complying with standards would outweigh the benefits.<sup>35</sup> Rickover, however, projected that uniform cost accounting standards would save the Government \$2 billion a year.<sup>36</sup>

#### • **Composition of the Board**

The 1970 law created a five-member inde-

pendent Cost Accounting Standards Board headed by the Comptroller General and reporting directly to Congress. The Comptroller General also was directed to appoint four Board members of varying professional backgrounds: two from the accounting profession, one from a Federal department or agency, and an industry representative.

A former GAO official, Arthur Schoenhaut, was chosen executive secretary to head the Board's staff.<sup>37</sup> By April 1971, the Board had 19 contract administration and cost accounting professionals recruited from Government, industry, public accounting, and the academic community.<sup>38</sup>

#### • **Kinds of Standards Set**

During its 10-year life, the Board promulgated 19 standards grouped in 3 categories: overall cost accounting matters; classes, categories, and elements of cost; and pools of indirect cost.<sup>39</sup>

Three standards dealt with consistency in accounting for an individual contractor. Their purpose was to ensure that costs were consistent from year to year.

The standards on particular elements of cost were directed toward selected trouble spots in cost accounting. They covered depreciation of tangible capital assets, composition and measurement of pension costs, accounting for insurance costs, and capitalization of tangible assets.

The problem of assigning indirect costs was tackled under the third group—pooling and allocation of costs. These costs, not specifically associated with a particular contract, are "pooled" and allocated as a cost of all the contracts. Standards in this area included allocation of home office expenses and allocation of business unit and general administrative expenses to final cost objectives.

Perhaps the most innovative standard was one in the miscellaneous group—cost of money as an element of the cost of facilities capital. It changed the concept of accounting by stipulating



**COST ACCOUNTING STANDARDS BOARD** swearing-in ceremony.

that a contractor's return on invested capital, previously considered as profit, be classified as part of its overall cost.<sup>40</sup> This departure from generally accepted accounting principles received mixed reviews.

### • Differing Views on the Board

Many of the Board's critics, particularly from industry, complained that it moved too quickly. Rickover on the other hand suggested that "the development of standards has not progressed nearly as fast as I believe it should." Critics continued to press their attack. In a 1979 hearing, one Senator wanted to know if the standards had achieved the \$2 billion a year savings forecasted by Rickover. The admiral admitted that his projection was perhaps ambitious, but there was no way of telling what costs would have been without the standards. The Department of Defense indicated that through December 1978, there was a nonrecurring net decrease in contract costs of \$230 million and estimated annual cost reductions of \$130 million.<sup>41</sup> A good part of this savings could be attributed to the Board's efforts.

After issuing the 19 standards, the Board's work was largely accomplished. Staats urged that the functions of the Board be merged into GAO or transferred to OMB maintenance. The Congress, however, decided to terminate the Board at the end of fiscal year 1980.

Not all accomplishments are quantifiable. Cost accounting under defense contracts was in a confused state before the Board was created and this agency was the first to attempt uniform and consistent approaches. Regardless of what the future brings, the Board made its mark on the practice of cost accounting.

### THE RAILROAD ACCOUNTING PRINCIPLES BOARD

Although the Congress chose to abolish the Cost Accounting Standards Board it did not abandon the concept. Shortly after the Board's demise, the Congress passed the Staggers Rail Act of 1980 (Public Law 96-448), which created the Railroad Accounting Principles Board in legislation aimed at restoring the economic health of the railroad industry. The Board's purpose is to develop uniform cost accounting principles which will reflect the economic costs of rail movement for managerial as well as regulatory purposes. The Comptroller General is to chair the Board and appoint six other members representing the accounting profession, the railroad industry, major shippers, small shippers, economic professionals, and the Interstate Commerce Commission.<sup>42</sup> Staats did not want the job because he believed it belonged to the Interstate Commerce Commission, the regulator of the railroad industry. He thought GAO should furnish oversight, but the Congress apparently felt that the new Board would need the independence and credibility of the Comptroller General.

The Board may impose fines on carriers whose cost accounting systems fall short of the Board's principles and on parties who disclose a railroad company's confidential data. The Cost Accounting Standards Board existed for 10 years. The new Board, according to the law, must finish its work in 3 years.<sup>43</sup>

### THE GOVERNMENT ACCOUNTING STANDARDS BOARD

The financial soundness of State and local governments and the way they keep their books also became a worrisome matter in the late 1970's. The Cleveland and New York City financial crises were said to be directly related to accounting and budgetary practices, and the District of Columbia's books were found to be unauditible. Studies showed the state of the art in governmental accounting and financial management was very low. Financial reports were often unacceptably late, obscure, or deficient in reporting liabilities such as pensions and other contingencies.<sup>44</sup>

In the absence of uniform and consistent standards, the economy and efficiency with which Federal funds were administered by 50 States, 3,000 counties, and nearly 90,000 local jurisdictions became an increasing national concern. Another vital interest was investor confidence in municipal bonds, the outstanding face value of which was over \$300 billion. There were no disclosure standards for these bonds like those required by the Securities and Exchange Commission for other securities.<sup>45</sup>

These matters have not been totally neglected, however. There is a National Council of Government Accounting composed of some 20 State and local accounting officials. GAO, Treasury, and the American Institute of Certified Public Accountants are members of its Committee of Advisors. The Council is a voluntary part-time group which sets voluntary accounting standards for local and State governments and uses task groups to research governmental financial problems.<sup>46</sup>

The Financial Accounting Standards Board (FASB), which sets standards for the private sector, also began to look at accounting system problems in the nonprofit sector, including State and local governments.<sup>47</sup> The Comptroller General and State and local financial officials were wary about whether accounting standards whose foundation was in the private sector could be effectively applied to State and local governments.

The compromise proposal was a full-time government accounting standards board, which would cooperate with but be organizationally separate from FASB. A charter group was instituted to explore the idea of a Government Accounting Foundation and, under its aegis, a full time Government Accounting Standards Board having a permanent staff. Staats supported a 3-year grant from the Department of Housing

and Urban Development to finance studies and startup costs, and arrangements are being made to establish the Board. Additional funding is expected from FASB and State and local governments. There would be 12 trustees, including the Comptroller General. Six of the trustees would represent the private sector. The goal was to have the Government Accounting Standards Board in business by January 1981. If things run true to form, GAO will be generous in support of this better government effort.

## **Standardizing Regulatory Agency Accounting Requirements**

In response to widespread complaints about the paperwork and reporting burden imposed by various regulatory agencies, the AFMD Regulatory Operations Group was formed in 1978. Its objective is to evaluate the variety of accounting and financial reports required of such regulated industries of telecommunications, transportation, and energy to see how they might be minimized and simplified. Over 50,000 business enterprises are obliged to follow these accounting rules and requirements.<sup>47</sup>

Among the six regulatory agencies GAO researched, 22 different systems of accounts were identified; the Interstate Commerce Commission, for example, has 8. Many firms also follow the private sector Financial Accounting Standards Board accounting principles and standards, which do not agree with regulatory agency concepts on amortization and other factors in rate setting. In any event, regulated industries must cope with overlapping, duplication, and inconsistency. Until GAO entered the vacuum, there was no mediator to help reconcile diverse views and requirements.<sup>48</sup>

In getting underway, the Regulatory Operations Group is focusing on the Securities and Exchange, Federal Communications, Federal Maritime, and Energy Regulatory Commissions, and the Civil Aeronautics Board. To help GAO plan the work and to build bridges between the parties of interest, the Comptroller General's Panel on Regulatory Accounting was formed with representation of regulated industries, State regulatory commissions, the public accounting profession, and academia.<sup>49</sup>

Because of the high visibility of Government regulatory reform, the work of this new GAO group is of considerable interest to the Congress. The first report of the group dealt with accounting needs of the changing telephone industry, and the second dealt with costing systems for railroads. Hearings were held on the telephone industry report, and the railroad analysis was included in a congressional report on railroad deregulation.

GAO worked steadfastly during the 1966-81 period to improve financial management in Government despite the lack of strong public interest and the resistance or passivity of the Federal establishment. Its ambitious goal was to get all agency systems up to GAO standards before the end of the period. The cause was refueled by excesses and scandals in Government, and GAO officials were quick to point out how dishonest public servants are aided and abetted by backward or loose accounting systems.

Although the goal of approving all systems was not entirely met during this period, AFMD believes the stage has been set for such approvals to occur. According to AFMD, both the Departments of Defense and Health and Human Services reached agreements with GAO that should lead to approval of most of the remaining systems in the 1980's.

Unfortunately, another major financial management problem has arisen to plague the Government—the need for stronger internal management controls. There has been a widespread concern over fraud and related illegal acts, many of which are the result of weaknesses in agency internal controls. Although GAO includes reviews of internal controls as a part of its approval process, these controls can be removed as the agency operates the system. Removal of such controls has become a significant problem.

Summarizing a series of accounting system studies of 11 major Federal organizations at 157 fiscal offices—a cross section of Government activities at home and abroad, military and civilian—a GAO report had this to say:

*Repeatedly, GAO found control weaknesses over virtually all aspects of accounting operations—accounts receivable, collections, disbursements, obligations, and imprest funds—that allow monetary losses to occur. The implications are very disturbing: it appears probable that similar problems exist throughout the Federal Government.<sup>50</sup>*

To correct this problem, GAO has supported legislation that would require annual agency reviews of internal controls to ensure they are functioning effectively and have not been removed.

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## Chapter 5

# The Evolution Of Governmental Auditing And Intergovernmental Audit Cooperation

For its first 25 years or so, GAO was the Federal Government's central auditor. Its army of clerks in Washington, which desk-audited all requisitions for funds, warrants, expense vouchers, canceled checks, and postal money orders and which processed claims against the Government, served as the Federal Government's internal auditor as well as the Congress' watchdog.

Events in the 1940's and 1950's changed GAO's role and placed new audit responsibilities on Federal agencies. As the Joint Financial Management Improvement Program was being formed, it was becoming clear that Federal agencies would have to do most of the detailed audit work then done by GAO to ensure that accounting and financial control systems were functioning properly. Although most agencies were not anxious to take on this task, the next 30 years saw several efforts—some successful, some not—to put in place the necessary machinery for adequate audits of governmental accounting and management systems. And as the States and localities became more and more involved in administering Federal programs, the role of their auditors also assumed increasing importance.

GAO became increasingly involved in the development of modern auditing practices at the Federal, State, and local levels. It moved its own operations from the central headquarters desk to the agency premises. For economy of scale and efficient division of labor, it campaigned vigorously for internal auditing—checks by each agency of its own affairs. As GAO extended its

scope beyond financial audits to assessments of economy, efficiency, and effectiveness, it urged other audit bodies to follow suit. Concurrently, GAO pursued the financial management improvements discussed in the previous chapter, one aim of which was to ensure auditability of Government accounting systems.

GAO also sought to elevate the organizational stature of auditors and thus strengthen their voice in management councils. Finally the Inspector General Act of 1978, strongly supported by GAO, brought audit chiefs into the executive suite. Regular communication and cooperation among audit bodies overseas and at home also became a reality. Out of the dialog with Federal, State, and local auditors evolved standards and guidelines useful to all. The distance GAO has traveled can be imagined by contrasting green-visored clerks ticking off voucher totals in Washington in the 1940's with a GAO delegation in Nairobi, Kenya, in 1980 conferring on international audit philosophies.

## Internal Audit Beginnings In Federal Agencies

The foundation for GAO support of internal auditing was laid in 1948 when the Accounting Systems Division was created in response to the





**IN THE VOUCHER AUDIT DAYS,** GAO staff and records were housed in the Pension Building across the street from the present headquarters building

joint program's recommendation that the Comptroller General promulgate uniform accounting principles and standards for agencies to follow in designing and installing their own accounting systems. The division was to see that adequate controls were an integral part of agency accounting systems and that internal auditing was in place before the systems could gain the Comptroller General's approval.

Congressional and governmental review bodies were also getting into the act. The National Security Amendments of 1949 (Public Law 216) made the comptrollers of the Department of Defense and the three military departments responsible for internal auditing and thus gave further support to the Accounting Systems Division. The first Hoover Commission pointed out that detailed checking of expenditures was properly a management function and should be part of the internal control system. In the fall of 1949, Comptroller General Warren ordered the elimination of most control records and the desk auditing connected with them. About 50,000 ledger accounts were to be discontinued. Onsite comprehensive audits were to become the rule.

The Federal Property and Administrative Services Act of 1949 (Public Law 152), creating the General Services Administration, charged GAO with auditing all types of property accounts and transactions. It endorsed site auditing, too. Section 206 of the statute said: "Such audits shall be conducted as far as practicable at the place or places where the property or records of the executive agencies are kept \* \* \*." The act also directed that audits include evaluations of the effectiveness of internal controls and internal auditing.

The milestone Accounting and Auditing Act of 1950 ordered executive agencies in section 116 to retain their documents for audit at agency locations rather than sending them in for desk-auditing at GAO when the Comptroller General so determined. The act also said that the primary responsibility for accounting and controlling Federal funds rested with agency management. In section 113 agency heads were given the responsibility to design and install internal control systems, including internal audits, in conformance with the Comptroller General's accounting principles and standards.

The statute also defined how GAO's audit procedures should be decided in relation to an agency's internal audit and control systems. Section 117 of the act said:

\* \* \* the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the respective agencies.

Thus, the Comptroller General was directed to assess the efficiency of an agency's management control systems before deciding on the scope and direction of GAO's audit work at the agency.

In 1950, too, GAO dropped another book-keeping load by spinning off the Postal Accounts Division to the Post Office, in accordance with the Post Office Department Financial Control Act of 1950. From then on, GAO would audit at Post Office sites, review agency procedures, and test the efficiency of controls without checking every single document.

## Evolution Of Audit Policy In GAO

Carrying out the 1950 act meant that GAO had to perform more of a policy-setting and leadership function for other Federal agencies. One step that paved the way for this role was a 1956 GAO reorganization that created a new Office of Accounting and Auditing Policy. (See ch. 9.) Its task was to review the audit reports of the operating divisions, maintain GAO's "Comprehensive Audit Manual," and advise the Comptroller General on policy matters. In 1971 the responsibility for establishing governmental audit standards was assigned to the Financial and General Management Studies Division,\* which published a stream of booklets, instructions, and manuals for the governmental accounting and auditing community.

Among the leading GAO manuals are those familiarly known as the blue book, yellow book, and red book because of their cover colors. The blue book provides guidance for internal auditing in Federal agencies. The yellow book promulgates universal audit standards applicable to all governmental entities. And the red book is a manual for more efficient financial and compliance auditing of Federal assistance programs operating at the State and local levels.

### THE BLUE BOOK—GUIDANCE FOR INTERNAL AUDIT

One of the first publications was the 1957 "Statement of Principles and Concepts of Internal Auditing for Federal Agencies," the forerunner of today's blue book. The statement came out as the comprehensive auditing concept began to expand and affect the scope and direction of GAO reviews. It served to stake out the internal audit sphere, mark out GAO's oversight role, and guide the development of internal audit systems. The statement was widely used in training programs conducted by the Civil Service Commission and individual agencies.<sup>1</sup>

After some 10 years of lessons learned about internal auditing in Government and the private sector and in the face of greatly expanded Fed-

\* Renamed the Accounting and Financial Management Division in October 1980.

eral programs, the guidelines were revised. The 1968 edition was a product of extensive discussion with agency representatives, congressional staff members, and experts in other public and private organizations.<sup>2</sup>

It recommended that each department or agency have a single, centralized internal audit organization reporting to the agency head or to a principal executive next in line. The intent was to enhance auditor independence and freedom, concentrate efforts, and gain top-level attention to audit findings.<sup>3</sup> The audit function, however, was not so elevated in most agencies until the Inspector General Act of 1978 required it. (See p. 62)

In defining the internal auditor's functions and scope of work, the 1968 statement emphasized appraising performance, evaluating efficiency and economy, testing records and reports, and examining financial reports. It recognized the need to augment auditing skills with such skills as statistical analysis, operations research, and computer programing. The statement asserted that the internal auditor should not participate in developing methods and procedures, however.<sup>4</sup>

In support of the blue book, a Federal management circular issued in 1973 set forth the policies to be followed by executive departments and establishments in auditing Federal operations and programs. Its primary objectives were to promote and improve audit practices, use personnel more efficiently, improve coordination of audits, and emphasize the need for early audits of new or substantially changed programs.<sup>5</sup>

The blue book was updated in 1974 and titled "Internal Auditing in Federal Agencies." The updated book characterized internal auditing as an integral part of management control in these terms.

*A necessary function of management is to establish and prescribe policies, plans, and procedures for carrying out programs and activities in pursuit of the objectives of the organization and to establish organizational or management systems for review of operations.*

*The internal audit function can provide a highly valuable service to management by reviewing, appraising, and reporting on the extent and nature of internal compliance with management's policies, plans, and procedures as well as with applicable legal and external regulatory requirements.<sup>6</sup>*

#### **THE YELLOW BOOK—STANDARDS FOR GOVERNMENTAL AUDITING**

The explosion of Federal assistance programs beginning in the mid-1960's imposed new and complicated recordkeeping demands on State and local recipient organizations. Fifty States, 3,000 counties, and tens of thousands of local

jurisdictions having all manner of accounting systems paid out Federal assistance funds and provided services for family support, highway construction, housing, education, health, and other needs. There was a crying need for uniform, consistent audit standards to track accountability in the many programs and to keep managers, legislators, and the public properly informed.<sup>7</sup> Impetus was supplied by a 1962 Senate subcommittee study, and a joint program study in 1967, which surfaced widespread deficiencies in Federal assistance audits.<sup>8</sup>

Uniform, consistent standards would not only enhance federal assistance auditing but also improve financial management at all governmental levels. There would be common terminology for the audit community, and time and resources would be saved by enabling one governmental level to rely on the work of others, similar to the way GAO relies on internal auditing in Federal agencies. However, these audit standards were almost nonexistent. The national audit standards were those which the American Institute of Certified Public Accountants (AICPA) had published for its members. But these standards did not cover much of the work done by governmental auditors.<sup>9</sup>

GAO took on the standards development job because it saw the need and had the resources. No other organization was in the position or inclined to do so and GAO had a vital interest in adequate audit systems wherever Federal funds were deployed.<sup>10</sup> This project was begun in 1970 and carried out with the help of a task force representing the major Federal agencies involved in grant-in-aid programs and supplemented with part-time representatives from States, counties, cities, and universities.<sup>11</sup>

Tentative standards were developed and circulated for comment to AICPA, auditing and accounting associations, Federal departments and agencies, and State and local auditors. The final standards were first published in booklet form in 1972 as "Standards for Audit of Government Organizations, Programs, Activities & Functions."

The standards, which became known as the yellow book, were intended to be applied to audits of all Government organizations, programs, and functions—whether performed by auditors employed by Federal, State, or local governments; independent public accountants; or others. They rested not so much on any law as on a "fundamental tenet of a democratic society" that governments entrusted with public resources and the authority for applying them have a responsibility to render a full accounting for their activities. Based on this concept, the standards went beyond the traditional scope of auditing financial and compliance matters to auditing for economy, efficiency, and achievement of desired results. Through these standards, GAO advo-

cated a scope of auditing for others similar to what it had mandated for itself.<sup>12</sup>

The yellow book has continued to develop. The widespread interest in the yellow book can be gauged by the fact that over 125,000 copies have been distributed. There was a very minor revision in 1974, but not enough to justify a new edition. Later, due to developments in automatic data processing, some of the standards had to be supplemented. Therefore, "Additional GAO Standards: Auditing Computer Based Standards" was published in 1979. About a dozen other supplements to the yellow book have been published over the years, covering such topics as "How Auditors Develop Findings" and "Benefits of Expanded Scope Auditing of the Local Level."

Members of AICPA's Committee on Relations with the GAO generally supported the standards. They said:

*The members of this Committee agree with the philosophy and objectives advocated by the GAO in its standards and believe that the GAO's broadened definition of auditing is a logical and worthwhile continuation of the evolution and growth of the auditing discipline.*<sup>13</sup>

Compliance with the yellow book's standards has been growing. For several years compliance was voluntary. OMB Circular A-73, published in 1975, "advised" Federal agencies that the GAO standards should be followed. The standards gained greater authority when the 1978 Inspec-

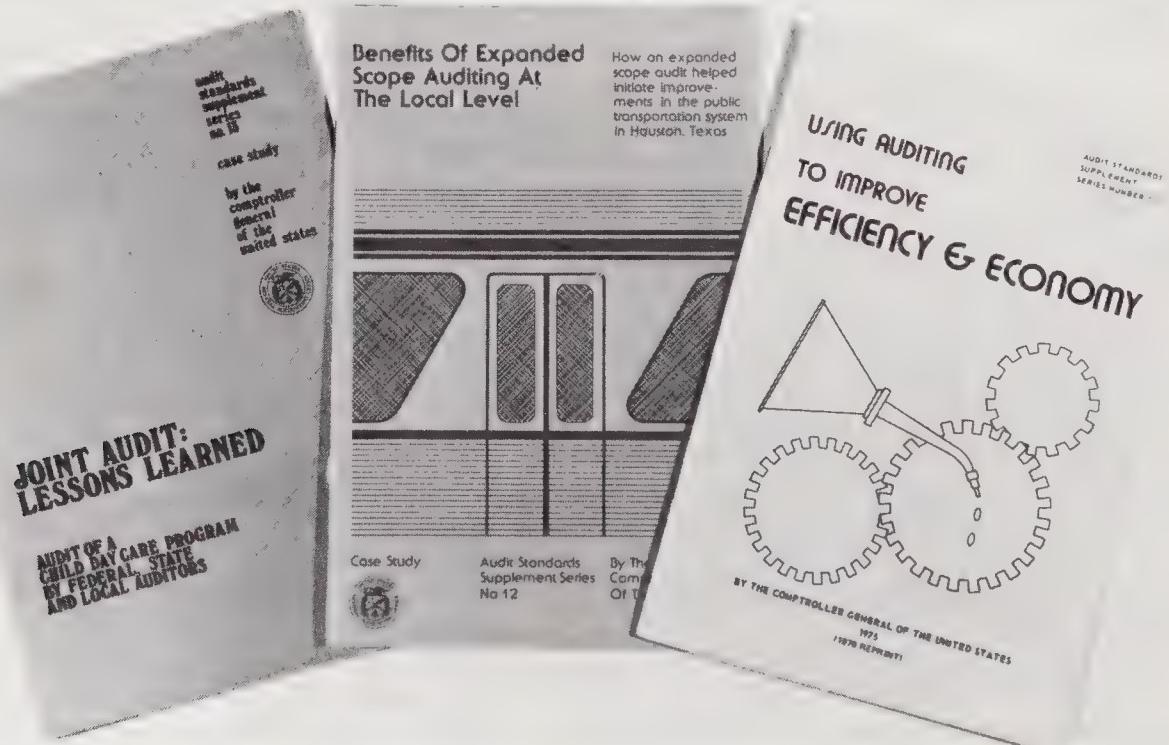
tor General Act ordered that each inspector general comply with standards established by the Comptroller General for audits of Federal establishments, organizations, programs, and activities. Further they must see that any work performed by non-Federal auditors is also in compliance.

The standards' acceptance by governmental auditors was so immediate and widespread that even GAO was surprised. Acceptance, however, was one thing; being able to follow the standards was another, as many governmental auditors simply had no experience in doing anything but financial audits. GAO has steadfastly supported the universality of the standards; it does not expect that all audits will include every element of auditing covered in the yellow book but believes that the basic procedures apply to whatever audit phases are undertaken. GAO and others have done extensive missionary work to spread knowledge on how to make audits of economy, efficiency, and achievement of desired results.

As this is written, a new edition of the yellow book is being readied for publication. It incorporates standards relating to data processing, expands on existing ones, and presents a standard of auditor responsibility for detecting fraud and abuse.

#### **THE RED BOOK—A GUIDE FOR AUDITING FEDERALLY ASSISTED PROGRAMS**

Auditing federally assisted programs has proven to be a major challenge. About 1,100 Federal assistance programs are administered by 52 Federal entities. Most recipient organizations receive



**THESE WERE AMONG THE MANY GAO PUBLICATIONS** designed to supplement the basic audit standards

funds from several of these entities and/or under several federally assisted programs.<sup>14</sup>

Each agency that provides Federal money is responsible for ensuring that the recipients' records or activities are audited. A major problem in auditing Federal assistance programs was that agencies usually limited their audits to recipient records and financial controls relating to their own programs and ignored the other Federal programs administered by the recipients. As a result, duplication, overlap, underauditing and overauditing occurred. In addition, the recipient organizations had problems in following nearly 100 confusing, inconsistent audit guides.<sup>15</sup>

GAO helped to bring some order to this confusion: GAO and joint program reports issued in 1979 indicated that auditing recipients' records on a grant-by-grant basis was wasteful because it led to overlapping and duplicative audits and overlooked certain grants entirely. Subsequently, President Jimmy Carter directed Federal departments and agencies to improve audit coordination and to increase their reliance on audits made by State and local governments. In October 1979, OMB issued a revision to Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments," which required that audits be made organizationwide, rather than on a grant-by-grant basis, using GAO's yellow book. To provide a uniform approach to such audits, GAO, OMB, and the Intergovernmental Audit Forum jointly issued an audit guide, known popularly as the red book, in February 1980.

The red book, formally titled, "Guidelines for Financial and Compliance Audits of Federally Assisted Programs," indicates which audit standards should be applied (following AICPA's audit standards and the yellow book), how audits should be planned, and how audit reports and workpapers should be prepared. General procedures for testing compliance with legal and regulatory requirements, studying internal controls, testing account balances, and other audit procedures are also included.<sup>16</sup>

OMB is implementing the single audit procedures, and GAO plans oversight review of single audit efficiency when the new procedures are in place.

## **Efforts In GAO And Elsewhere To Combat Fraud And Abuse**

No one knows the actual extent of fraud and abuse in Government affairs, but the available estimates are staggering. The General Services Administration (GSA) scandals which broke in the spring of 1978 riveted national attention on fraud, abuse, and waste in Government. Prior GAO reports had disclosed numerous management and accounting system weaknesses that GSA had rarely corrected. One GAO official said that GSA's internal auditors were turning up

fraudulent practices in the early 1970's but that their findings got little management attention.

A September 1978 GAO report on fraud in seven major agencies, including GSA, told how Government contracts, grants, and loan guarantees were exploited through such means as false claims for benefits and services, bribery or corruption of public employees and officials, false statements to obtain contracts, and collusion involving contractors. According to the report, "opportunities for defrauding the Government are virtually limitless because of the number, variety, and value of Government programs." The passivity of the majority of agencies in dealing with the problem was particularly troublesome, and little was even known about the extent of the problem. The report said:

*Agencies have not established management information systems on fraud. As a result, they do not know the amount of identified fraud in their programs, nor can they estimate the potential amount of unknown fraud. Without such data, agencies have no basis for establishing the level of resources needed to combat fraud, map antifraud strategies, and evaluate the scope and effectiveness of antifraud activities. The absence of management information systems also precludes agencies from taking action aimed at identifying and anticipating fraudulent activity \* \* \*<sup>17</sup>*

In the fall of 1978, the Financial and General Management Studies Division set up a task force on fraud and abuse to (1) assess the scope of fraud and other illegal activities, (2) determine where preventive measures are absent or inadequate, and (3) examine selected agencies for their susceptibility to illegal activities and degrees of risk.<sup>18</sup> This action represented a renewed focus of the agency's efforts to combat fraud and other criminal abuses. Throughout GAO's history, auditors had been told to be alert for possible fraud and other violations of statutes, but because prosecution of such violations was the job of law enforcement agencies, GAO gave this aspect of its work lower priority or limited its efforts to gathering preliminary evidence on individual cases. Now GAO is taking a broader scale systems approach to directly reviewing the problems.

### **GAO ESTABLISHES A FRAUD HOTLINE**

At the suggestion of Senators James Sasser and Richard Schweiker, GAO established a nationwide toll-free fraud hotline. For the first time, private citizens were encouraged to contact the Government's watchdog about potential problems in Government programs involving waste, fraud, abuse, and illegal actions.<sup>19</sup>

The hotline was opened on January 18, 1979, and in the first 18 months, GAO logged over 21,000 domestic and overseas calls.<sup>20</sup> To screen the calls, GAO formed a hotline investigative unit. First, the allegations received preliminary study by hotline phone operators. The allegations ranged from illicit collection of small benefit checks to illegal Government contract awards. Those deemed substantive were analyzed and referred to an investigative staff. After additional deliberation on their substance, allegations were referred to agency inspectors general or to GAO audit groups for followup. Specific cases involving criminal activity were referred to the Justice Department.

#### **OTHER FRAUD TASK FORCE ACTIVITIES**

The second task force mission was to dig into the grounds and occasions for fraud. From a universe of about 130,000 illegal incidents in 21 agencies, the task force selected about 5,000 cases for analysis. The incidents were tracked back through management accounting and internal control systems to determine why they had occurred and how the agencies had responded. A data base is being established from this sampling to identify root causes and recurring patterns of illegal activities and to see how they can best be prevented and detected.<sup>21</sup>

The third task force mission was to probe selected agency information or accounting systems and programs for weaknesses that invite or allow fraud. In one study of the Community Services

Administration, GAO found loose control of cash, missing furniture and equipment, payroll anomalies, inaccurate inventory records, weak computer security, and deficient accounting systems. GAO was reviewing the Department of Labor's Comprehensive Employment and Training Act programs and the Naval Material Command as this was written.

The work of the fraud task force is not yet complete. And in many ways, the executive branch's task of effectively combating fraud, abuse, and waste has just begun. Partly because of GAO's efforts, OMB has called on executive agencies to tighten up their fraud prevention measures and has taken further steps to strengthen agency internal controls. (See pp. 49 and

50.) The resources available in executive agencies to combat fraud and abuse have also been bolstered. It does not appear that there will ever come a time when it will be cost effective to seek to eliminate entirely the misuse or theft of Government money, but GAO has worked to ensure that agency systems for preventing and disclosing these unfortunate incidents are as strong as practicable.

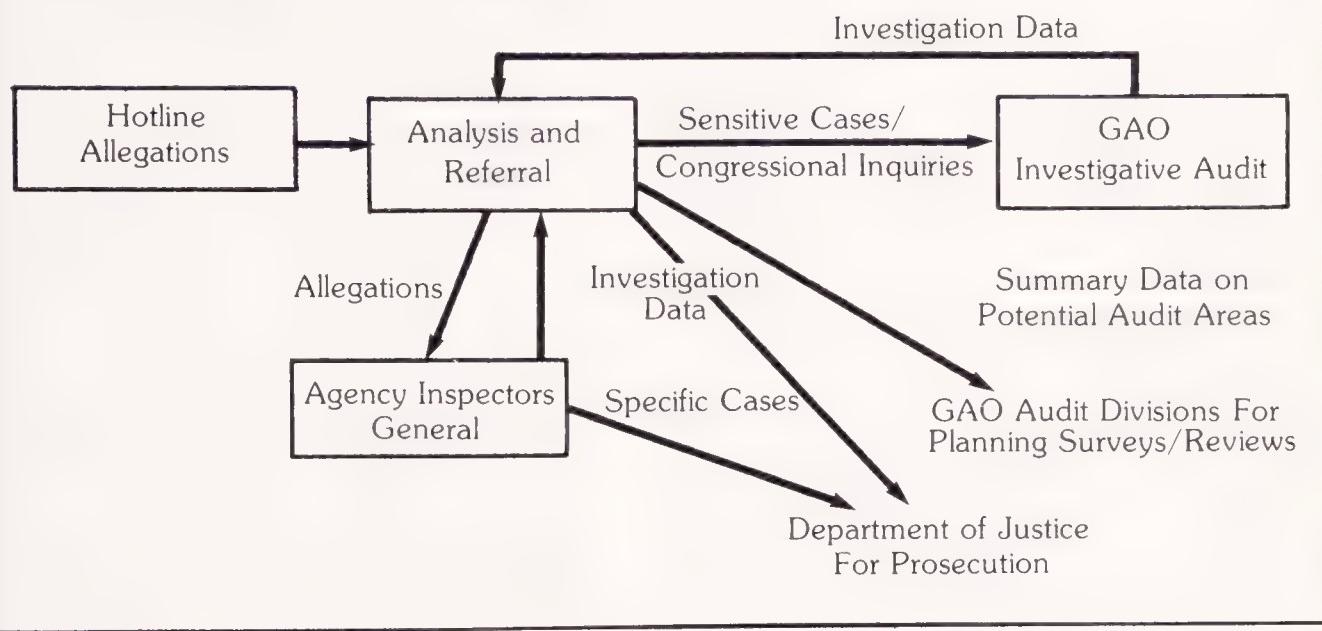
#### **Inspectors General Strengthen The Internal Auditor's Role**

The Inspector General Act of 1978 (Public Law 95-452) was intended to reduce fraud, abuse, and waste in Government by centralizing and strengthening audit and investigative controls in the executive agencies. The act requires



**PRESS CONFERENCE KICKS OFF GAO FRAUD HOTLINE** in January 1979 (l. to r., Comptroller General Staats; Senator Jim Sasser; and Harold Stugart, Director, GAO Fraud Task Force)

**Figure 5-1**  
**GAO Hotline Data Flow**



each inspector general to comply with the Comptroller General's standards for auditing Federal organizations, programs, activities, and functions. It also directs them to avoid duplication and thus ensure effective coordination and cooperation with GAO.

Realizing that inspectors general must be clearly independent to function effectively, the Congress directed in section 3 that the inspectors general and their deputies be appointed by the President with the consent of the Senate. The law indicates that inspectors general are to report regularly to their agency heads or their close delegates and to the appropriate congressional committees. In addition, it provides that a department or agency head may not impede or prevent an inspector general from conducting any audit or investigation.

#### **ORIGINS OF THE INSPECTOR GENERAL CONCEPT**

The history of the Inspector General Act can be linked directly to Billie Sol Estes, the Texas "wheeler dealer" who was convicted of fraud charges in the early 1960's. The Estes investigation, mishandled by Department of Agriculture investigators, prompted Agriculture Secretary Orville Freeman to establish an Office of Inspector General in 1962.<sup>21</sup> The Congress' initial attempt to mandate a similar office occurred in 1963 when a bill was introduced to create an Inspector of Programs and Operations at the National Aeronautics and Space Administration (NASA), but it was never enacted. In the following years, content to allow individual agencies to establish their own internal audit and investigative controls, the Congress did little to act on such legislation.

This approach changed dramatically in the 1970's. Representative H. L. Fountain's Subcommittee on Intergovernmental Relations and Human Resources reviewed HEW's procedures and resources for detecting fraud in its operations. The Subcommittee found that HEW's capacity to investigate fraud allegations was "ridiculously inadequate." This mammoth agency, involved at the time in over 300 programs spending about \$118 billion annually, had only 10 investigators in its central unit to monitor the activities of 129,000 employees. Following the 1974-75 investigation, a law established an Inspector General at HEW. In 1977 legislation, which eventually became Public Law 95-452, was introduced by Representatives Fountain and Jack Brooks to establish inspectors general at six cabinet-level departments and six other agencies.

There are now 15 inspectors general in the Federal Government. Bills favored by GAO are pending to establish them also in the Departments of Defense, Justice, State, and the Treasury and in the Agency for International Development.<sup>22</sup>

#### **STRIKING A BALANCE BETWEEN INVESTIGATIONS AND AUDITS**

The need for inspectors general to balance their responsibilities between audit and investigative work was raised by Senator Lawton Chiles at a 1979 hearing before the Senate Committee on Governmental Affairs.<sup>23</sup> This dichotomy has been of major concern to GAO. Of the inspectors general appointed to date, only one has a financial background, possibly foretelling a diminishing emphasis on the audit role. At numerous congressional hearings on the Inspector General

Act, GAO urged that more emphasis be given to systematic auditing and less to investigating individual instances of possible fraud. It recommended that the title "Inspector General" be modified to "auditor general" or "auditor and inspector general." To GAO this change would have been more than cosmetic, since it would have conveyed the importance of preventing fraud, not just detecting it. The Office believed also that the inspector general function had to be broadened to assist management in implementing preventive machinery and emphasizing the primacy of audit.<sup>24</sup> The Congress retained the inspector general title, but it provided a deputy for audit and a deputy for investigations. GAO continues to emphasize the importance of the auditing role.<sup>25</sup>

Most of the inspector general staffs are dominated by auditors, historically in the front line of financial control systems. However, investigative work, given more publicity in recent years, has sometimes received greater emphasis. Recently, the Environmental Protection Agency's Inspector General had 110 auditors and 21 investigators, a ratio of over 5 to 1. Interior maintained an 8-to-1 ratio of auditors to investigators, as did HEW. Not all offices are so structured, however. Agriculture's Inspector General has traditionally maintained a large investigative unit. In response to the recent scandals, GSA's Inspector General also had a substantial investi-

gative unit.<sup>26</sup> GAO continues to believe that auditing and internal controls need prime attention.

#### **WHAT THE INSPECTORS GENERAL HAVE ACCOMPLISHED**

Translated into raw numbers, the early activities of the inspectors general are impressive. Here are a few highlights.

- The NASA Inspector General reported that auditors had questioned over \$350 million worth of actions completed during 1979, for a net savings or cost avoidance of about \$50.7 million.<sup>27</sup>
- HEW's Inspector General reported cost savings of \$1.1 billion in 1979.<sup>28</sup>
- The Department of Housing and Urban Development's Inspector General opened over 2,000 investigations leading to 182 convictions in 1979. In addition, 147 internal audits and surveys recovered \$6.2 million in cash.<sup>29</sup>
- Agriculture's Inspector General reported that in the first 6 months of fiscal year 1980, 447 audit reports and 976 investigative reports had been issued, resulting in \$73 million in recoveries, savings, claims, etc.<sup>30</sup>
- GSA's Inspector General stated that during the 6 months ended on March 31, 1980, 230 audit reports had been issued recommending realizable savings of \$40 million.<sup>31</sup>



**SECRETARY OF LABOR RAY MARSHALL SWEARS IN MARJORIE FINE KNOWLES** as Inspector General of the Department of Labor

Over the years, the Congress, the Office of Management and Budget, and various other organizations have touted the necessity and benefits of internal auditing, but progress sometimes has been limited. A May 27, 1980, GAO report, summarizing the findings of 70 reviews over the previous 4 years, cited shortcomings among Federal audit organizations:

- Low priority on preventing and detecting fraud.
- Insufficient financial auditing.
- Inadequate and insufficient audits of grants and contracts.
- Insufficient computer auditing.
- Poor followup on findings.
- Insufficient staff.<sup>32</sup>

GAO concluded that establishment of the inspector general offices and other recent improvements had the potential to strengthen Government auditing but that it was too early to say whether their efforts would correct all deficiencies. GAO promised to continue working with internal audit and inspector general organizations and to advise the Congress of any further actions needed to solve the problems discussed.

The Inspector General Act has taken some of the pressure off GAO's audit resources and has allowed the Office to look at the bigger issues. GAO can build on the work being done by the inspectors general and focus its efforts on program evaluations and areas transcending agency boundaries. To encourage this necessarily close relationship, GAO had initiated meetings with the inspectors general to discuss issues of mutual interest.

## **Intergovernmental Audit Forums: Links Between Federal, State, And Local Auditors**

In numerous reports, speeches, and journal articles, but especially in intergovernmental audit forums the Comptroller General and other GAO officials spread the word about uniform, consistent audit standards; internal auditing practices; and the virtues of the single audit concept.

The audit forums started in the early 1970's when a group of concerned State auditors met with Comptroller General Staats and representatives of OMB. To improve coordination between Federal agencies and State audit personnel, the auditors proposed establishing national and regional audit councils. GAO agreed to support the effort and the Financial and General Management Studies Division began to develop a plan of action. The division's first efforts were to initiate a National Forum in Washington and to work with GAO's Atlanta regional office to pilot a forum in Federal Region IV.<sup>33</sup>

### **THE NATIONAL FORUM**

The National Forum, whose chair alternates every 2 years between GAO and OMB, consists of 20 Federal audit executives from GAO, OMB, and major grantmaking agencies, as well as the heads of 20 State and local government audit organizations. It meets four times a year to address issues of national importance. In addition, it prepares position statements on subjects such as maintenance and interpretation of audit standards which are subject to approval by the regional forums.<sup>34</sup>

### **REGIONAL FORUMS**

The Southeastern Intergovernmental Audit Forum held its first meeting in Atlanta in December 1972. At the GAO regional manager's invitation, the directors of the Federal regional audit offices and the auditors of eight southeastern States attended. The objectives of the forum were to "secure better communications in the governmental audit community and to achieve improved coordination and expansion of the usefulness of Federal, State, and local audits."<sup>35</sup>

Today, GAO assists 11 regional forums. GAO provides administrative support and designates staff members to serve as points of contact. Each forum, however, retains its independence from GAO and from the other regional forums. Four forums designated GAO regional managers to permanently chair their groups and others elected chairmen from their membership; in some of these GAO provides the secretariat.<sup>36</sup>

The regional forums have done much to increase awareness. Through them, auditors have increased their awareness of the standards set forth in the yellow book and have been exposed to a key element of contemporary auditing—expanded scope auditing (economy, efficiency, and program results). In carrying out GAO's philosophy of encouraging use of its standards through persuasion, GAO staff have worked closely with the regional auditors.

But the forums do more than communicate; they act. Recent activities include (1) tests to determine whether a single audit of a multi-funded recipient can satisfy all funding agencies, (2) helping with the development of a program results guide, (3) the creation of guidelines for preparing requests for audit proposals, (4) the development of a peer quality review system, (5) the preparation of guidelines for a quality review of government audit agencies, and (6) a joint audit of a major federally assisted program.<sup>37</sup> The regional forums have assisted in forwarding the single audit approach; in every case, their conclusions have been that the single audit is workable. However, the forums are not policymaking bodies; they only suggest and recommend solutions and actions. Policy continues to emanate from the appropriate audit agencies, GAO and OMB.

The forums appear to have been instrumental in increasing intergovernmental audit cooperation. Since not everything can be corrected by the Federal Government, State and local governments need to be involved. However, the coordination has been basically confined to individual situations as opposed to a centralized government-wide effort.

Although intergovernmental audit collaboration has come a long way in a relatively short time, full-fledged cooperation is still some distance away. On April 25, 1980, before the Third Joint Conference of Intergovernmental Audit Forums, the Comptroller General said:

I urge and challenge you to not only maintain but to expand on your current efforts to:

- Improve communication, cooperation, and coordination among auditors at all levels of government.
- Provide training and assistance to those auditors who review government programs and activities.
- Promote the acceptance and implementation of the single audit concept.
- Promote and assist in the development and use of government accounting standards and principles.

## INTOSAI

Over 140 diverse nations, members of the United Nations or its special agencies, are affiliated with the International Organization of Supreme Audit Institutions (INTOSAI), founded in the early 1950's. A supreme audit institution is one which conducts public audits of its national government; for example GAO, the Board of Audit of Japan, and the Office of the Auditor General of Canada. The seat of INTOSAI is Vienna, Austria. The Secretary General of INTOSAI is also the President of the Audit Court of Austria.

The direct aims of INTOSAI are to promote improvements in evaluating governmental performance, to strengthen financial management of government agencies and departments, and to make sure that they are in compliance with applicable laws and regulations. INTOSAI sponsors triennial congresses, regional seminars, cooperative training, study groups and publications. INTOSAI, in a word, seeks to elevate auditing capability in developed and developing countries alike.

Comptroller General Staats was appointed to INTOSAI's Governing Board in 1969, and he lent support to the institution. He and his aides participated actively in INTOSAI's triennial congresses and regional seminars, and GAO conducted annual fellowship training programs for audit officials of developing countries. GAO devotes staff time to help prepare INTOSAI's "International Journal of Government Auditing," which is published in English, Spanish, and French. The editor since its inception in 1971 has been from GAO, with aid coming from Canada and Venezuela.

Many of the problems facing INTOSAI, and especially the developing country members, are elemental. At a 1980 international seminar, the Comptroller General pointed out some salient ones.

First there is a serious shortage of trained accountants and financial managers in governments of countries that were studied. While this is caused primarily by lack of adequate training, other factors such as the low stature given to the accounting profession, low salaries, and other personnel problems in civil service systems, and the low priority given to upgrading the financial infrastructure are major problems.

Second, the so-called "brain drain" causes an incredibly high turnover of trainees in most projects. Often, as soon as auditors receive additional training or education, they are offered better positions in the private sector or, perhaps, in another country.

Third, there is a reluctance of major donors—international organizations and the developed nations—to mount a full-scale effort to provide the resources necessary to improve financial management in the absence of evidence that the governments themselves are prepared and willing to make the necessary reforms.

In Staats' view, the primary needs are improved training and development opportunities for government auditors, especially in the developing countries, and creation of international accounting and auditing standards. He recommended closer regional arrangements among auditing bodies; multiple centers for training and leadership sponsored by such global bodies as the World Bank, the United Nations, and the Inter-American Development Bank; collaboration among government, private industry, and public accounting auditors toward comprehensive auditing; and more accountability of international organizations themselves, through which more and more of the world's cooperative efforts will probably be channeled.

- Continue to serve as a medium for generating new ideas and ways to improve governmental accountability.<sup>38</sup>

The auditing state of the art has advanced markedly in recent years due in large part to vigorous GAO campaigning. The Office has greatly extended the scope of its own auditing to assessment of agency economy, efficiency, and program results and is winning over other audit bodies to similarly enlarged horizons. GAO audit standards and guidelines are now in wide use in Federal, State, and local governments. More internal auditors are at work in the agencies, although they are not always in sufficient numbers and do not always have the needed mix of skills. Their potency has been heightened by placing them in inspector general offices so that internal audit findings can more readily gain the attention of top management.

The outlook for internal controls is less certain. (See ch. 4.) GAO has repeatedly emphasized that internal controls need constant surveillance. At this writing, GAO's work has shown, however, that because management is not doing its job effectively and because auditors are too few, accounting systems that started with effective controls can become error ridden and vulnerable to fraud. This happens when new employees are not properly instructed in how to do

their work, computer controls are removed to gain storage space or for similar reasons, and jobs are consolidated without considering the effect on internal controls.

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5. U.S. General Accounting Office, "Internal Auditing in Federal Agencies" (1974), p. 4.
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16. GAO, "Guidelines for Audits," pp. i-iv.



**PARTICIPANTS CONFER AT 1980 INTOSAI MEETING** in Kenya (l. to r., Mwai Kibaki, Vice-President of the Republic of Kenya; Comptroller General Staats; Josaf Selbach, Federal Republic of Germany, Jorg Kandutsch, Secretary General of INTOSAI)

17. Comptroller General's report, "Federal Agencies Can, and Should, Do More To Combat Fraud in Government Programs" (GGD-78-62, Sept. 19, 1978), pp. i-iii.
18. Comptroller General Elmer B. Staats, Statement Before the Senate Committee on Appropriations, "GAO Efforts Related to the Problem of Fraud in the Government," 27 Feb. 1980.
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21. Comptroller General Staats, Statement of 27 Feb. 1980.
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## Chapter 6

# Expanding GAO's Jurisdiction And Cooperating With Other Agencies

GAO moved steadily toward a broader view of Federal Programs and toward examining more agencies and more issues in the 1966-81 period. In fact, scores of agencies, programs and issues were audited for the first time, some as a result of their formation and new audit authority for GAO and others as a result of GAO's own initiative. GAO reviewed management policies and programs at such agencies as the Federal Bureau of Investigation (FBI), the Internal Revenue Service, and the Federal banking agencies. The Office sent auditors into Vietnam at the height of the war and reviewed Government-wide programs and activities, such as equal employment opportunity, acquisition of ADP equipment, and intergovernmental relations.

The Office has also moved toward greater interaction and constructive discussion with the Federal agencies being audited. Since GAO and the executive agencies share the goal of improving Federal management, cooperation between GAO and the executive branch is essential. Such cooperation, however, was not always returned; some agencies and recipients of Federal funds attempted to block GAO's access to the records and people needed to make reviews. Although the adversaries' arguments were valid in few instances, GAO had no means of enforcing its statutory rights to records until 1980.

The need for coordination with other congressional support agencies also became evident during this period when the Congressional Research Service, Office of Technology Assessment, and Congressional Budget Office were formed. Although GAO's relations with the new agencies had some snags, a coordination process has gradually been established and communication between agency staffs has been encouraged.

### GAO Takes On New Agencies And Issues

Stimulated by many sources, including events of the time, GAO staff began looking at a larger number of Federal agencies and programs. The figure below provides a partial list of the issues and agencies audited for the first time under the new Comptroller General.

Some of the agencies had been established since 1966; others existed before that time, but GAO either had done little or no work there or had not conceptualized its approach. For such agencies as the Federal Reserve Board and the

Internal Revenue Service, the Congress enacted new audit authority. (See chs. 1 and 8.) In addition, GAO's 1972 reorganization did much to enable the newly formed divisions to expand into new issue areas.

Although the events surrounding the first audit of each agency and issue are interesting, space and time do not permit a discussion of each. The following sections, however, summarize GAO's entry into the Federal Bureau of Investigation, the Federal banking agencies, and several new issue areas.

#### GAO FINALLY SUCCEEDS IN AUDITING FBI DOMESTIC INTELLIGENCE OPERATIONS

In the early 1970's, GAO entertained thoughts of reviewing FBI programs and activities other than payroll and accounts receivable. A breakthrough of sorts occurred in 1973 when Sam Ervin, Chairman of the Senate Subcommittee on Constitutional Rights, requested GAO to examine the Department of Justice's Criminal History Information System operated by the FBI with support from the Law Enforcement Assistance Administration. Little was known about how information in this system was used and who had access to it. GAO recommended that the Federal Government establish a national policy on the development of such systems, the types of information to be retained, and participation by the criminal justice community. But this work did not come close to the program results reviews GAO was conducting at other Federal agencies.

Shortly after the report was issued in May 1974, allegations of illegal FBI investigations in Chicago prompted Congressman Ralph Metcalf to request a GAO investigation of the FBI's domestic intelligence activities. The Comptroller General believed that only the support and backing of a full committee would demonstrate to the FBI the strong congressional interest necessary to gain their cooperation. By June 1974, GAO had the House Judiciary Committee and Chairman Peter Rodino on its side.

Accustomed to GAO's financial audits, FBI officials were shocked by the comprehensiveness of the congressional request—reviews of the economy, efficiency, and effectiveness of all FBI programs and activities, starting with domestic intelligence operations. Their initial reaction was to refuse access to records and people on the grounds that GAO had legal right to financial

records only. But after researching GAO's statutory authority and legal precedents and interviewing other Federal officials, the FBI eventually concluded that GAO had authority to investigate FBI programs and reluctantly opened its doors. However, FBI recognition of GAO's authority was not the end of the Office's problems.

FBI officials were gravely concerned about the confidentiality of their investigative case files. They feared that deliberate or inadvertent release of the information would identify and possibly endanger their informants and inhibit informant cooperation. They made repeated attempts to prevent GAO access to the files. GAO argued that it needed access to the files to evaluate program operations and compare practices and procedures with FBI policies. After months of negotiation, GAO and the FBI compromised:

FBI staff would summarize pertinent data from a GAO selected sample of files and hand over this information. GAO staff would then verify the summarized data on a test basis by reviewing randomly selected documents from a sample of the GAO sample. Although agreed to in writing, the FBI did not allow the test verification, and GAO qualified its report accordingly.

The importance of verifying the FBI case files was dramatized when a Department of Justice special task force investigating allegations of illegal FBI break-ins received evidence that FBI officials had withheld information from GAO. In summarizing the selected case files, FBI officials had deliberately omitted references to illegal break-ins in the New York area. Following its investigation, the special task force asked GAO to testify on its review and audit procedures at

## **Figure 6-1 New Issues and Federal Agencies or Offices Studied**

Administration of nondiscrimination laws  
ADP procurement standards  
Audit standards  
Communications and the media  
Consumer and worker protection  
Dam safety  
Energy availability, shortages, reserves, and usage  
Equal employment opportunity  
Ethics in Government  
Executive rescissions and deferrals (impoundments)  
Federal banking institutions  
Federal debt collection

Food and nutrition  
Foreign military sales  
Intergovernmental relations  
International energy  
International trade and finance  
Law enforcement  
Medicare and Medicaid  
Metric system  
Military justice  
Multilateral economic assistance  
Paperwork requirements  
Pay comparability  
Pollution control

\* \* \* \* \*

ACTION  
Asian Development Bank  
Bureau of Indian Affairs\*  
Commodity Futures Trading Commission\*  
Community Services Administration  
Consumer Product Safety Commission  
Council on Wage and Price Stability  
Department of Energy  
Energy Research and Development Administration  
Equal Employment Opportunity Commission  
Farm Credit Administration  
Federal Bureau of Investigation\*  
Federal Communications Commission\*  
Federal Deposit Insurance Corporation  
Federal Energy Administration  
Federal Home Loan Bank Board\*  
Federal Labor Relations Authority

Federal Reserve System  
Internal Revenue Service  
Legal Services Corporation  
Merit System Protection Board—Office of Special Counsel  
National Center for Productivity and Quality of Working Life  
National Credit Union Administration\*  
Nuclear Regulatory Commission  
Occupational Safety and Health Administration  
Office of the Comptroller of the Currency  
Pension Benefit Guaranty Corporation  
Postal Service  
Securities and Exchange Commission  
Selective Service System  
Small Business Administration\*  
United Nations System  
World Bank

\* Coverage expanded beyond financial audits

a New York grand jury. The GAO auditor who headed up the FBI audit work testified on two points in the indictment—that FBI agents had obstructed a congressional investigation and that FBI agents had lied to Federal investigators. Despite his testimony and that presented by other witnesses, further prosecution did not occur.

GAO's investigation at the FBI was also complicated by an overlap with congressional committee investigations. Problems were resolved through the GAO auditors' professional handling of case file information and through assurances that GAO would investigate present intelligence activities and the committee would examine only past activities.

The review of FBI domestic intelligence resulted in testimony before two congressional committees and in a 1976 report to the Congress. GAO recommended that the Congress enact legislation to (1) clarify the authority under which the FBI conducts domestic intelligence operations, (2) limit the types of groups and individuals warranting investigation and the extent of investigations, (3) limit the extent to which the Attorney General may authorize FBI use of non-violent emergency measures, and (4) require the Attorney General to report to the Congress on a periodic basis. The Department of Justice used the report in preparing guidelines for FBI domestic intelligence operations, and the FBI changed its operations along the lines suggested by GAO. GAO's report and hearings also provided the public with a better understanding of this important and controversial Government activity.<sup>1</sup>

Working within the limitations imposed on it, GAO provided the requested report and maintained its own audit standards while developing a working relationship with the FBI. GAO also reinforced its mandate to review all Federal agencies and programs, even those sometimes considered above public scrutiny.

#### **FEDERAL BANKING AGENCIES FIND GAO JUST AS PERSISTENT**

Two years after the start of the FBI audit, GAO embarked on another audit of Federal agencies unaccustomed to outside examination and again encountered problems. Until 1933, GAO audited Federal Reserve Board expenditures financed by funds collected from Federal Reserve System member banks. These funds, by a 1914 Attorney General ruling, were considered public moneys. The Banking Act of 1933 reversed this ruling and GAO discontinued its audits.

In 1959, the Congress considered a bill which would have directed GAO to audit the Federal Reserve System for the period beginning with the date of the enactment of the Federal Reserve Act, December 1913, to December 1958. Comptroller General Campbell objected to the bill, citing the tremendous staff required for an

audit encompassing 45 years. Campbell offered no opinion on subsequent legislation requiring a GAO audit of the Federal Reserve System but stated that the Office would carry out congressional intent by conducting any audits requested by the Congress.

Subsequently, however, GAO overcame its reluctance and actively sought to audit activities in the Federal Reserve System, including the Federal Reserve Board, and in the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). Collectively, these agencies are responsible for Federal supervision of State and national banks. By 1976, GAO had audit authority over FDIC only but a longstanding dispute over access to bank examination reports and other documents permitted GAO to perform financial audits only. Even these, GAO believed, were limited because auditors could not gain full access to records needed to evaluate the financial condition of the agency. GAO qualified the annual financial reports accordingly.

Since the early 1970's GAO had supported various legislative proposals to authorize GAO audits of the Federal Reserve System, including the Board, OCC, and FDIC. But opposition from the Chairman of the Federal Reserve Board and the banking industry had prevailed and the Congress had never passed the bills. In 1973 and 1974, however, two major national banks failed and congressional concern about the quality of bank supervision increased. In January 1976, Wright Patman, Chairman of the Subcommittee on Domestic Monetary Policy, House Committee on Banking, Currency, and Housing, and the man behind the earlier bills, asked GAO to study Federal supervision of State and national banks. The Senate Committee on Banking, Housing, and Urban Affairs, as well as the House Government Operations Committee, soon gave their support to the Patman audit.

Agreement on GAO's access to the records was long in coming. GAO negotiated with the Committee staff and the three agencies for 2 months, but the Board refused to allow GAO access to its people and files. OCC, recently given a clean slate from a CPA firm, acquiesced early in the negotiations, and FDIC soon followed in OCC's steps. Then, the New York Times published a story that two more large banks might fail. The publicity caused the Board to relax its restriction somewhat, but GAO refused to accept the limited access the Board would have allowed. After additional negotiations, an agreement on access to Board, OCC, and FDIC records was reached. The agreement stated conditions on GAO's selection of banks to review, release of bank names, release of the final report (only after the three agencies agreed to it), and other issues.

The Comptroller General established a banking task force in April 1976 to respond to the

congressional requests. The task force, reporting to the Assistant Comptroller General for Policy, broadened the scope of audit work originally requested by the Senate Committee on Banking, Housing, and Urban Affairs from failed banks and a small number of problem banks to all failed banks and to a sample of the remaining 14,000 State and national banks. In all, the task force reviewed Federal examinations of 900 banks. About 40 people—auditors, accountants, attorneys, systems analysts, statisticians, economists, and support personnel—worked full time on the task force. Over 1 weekend, more than 85 people recorded and coded data from the bank examination reports. Once this work was completed, the task force had over 8 million pieces of data to put on the computer—the largest data processing task GAO had ever dealt with.

The task force completed the audit work in about 6 months and drafted the report in about half that time. GAO's final report concluded that

the Federal agencies should have used legal powers to effect changes rather than relying on promised but never implemented improvements, particularly for banks that eventually failed. The agencies also had done a poor job of informing banks of their examination findings. GAO recommended that the banking agencies or the Congress establish a mechanism for co-ordinating agencies' efforts to secure needed improvements and resolve common problems. Further, GAO recommended that examinations be done on an as-needed basis, rather than on a schedule of once or twice a year, so that problem banks could receive closer supervision than banks having no problems.<sup>2</sup>

Contrary to the banking agencies' expectations, issuance of the final report did not end GAO's audit activities. In July 1978, the Congress passed the Federal Bank Agency Audit Act (Public Law 95-320), authorizing GAO to conduct additional reviews of the agencies' opera-



**GAO BANK SUPERVISION TASK FORCE** members and staff receiving awards for participation in the first comprehensive review of the effectiveness of Federal bank supervision, March 22, 1977



**GAO OFFICIALS** testifying before the House Banking Committee on the GAO Task Force Report, February 1, 1977

tions. Although the legislation prohibited GAO from auditing international financial transactions, monetary policy matters, and Federal Open Market Committee activities, it authorized substantive reviews of the policies and procedures governing regulation and supervisions of State and national banks.

#### **GAO AUDITS THE VIETNAM WAR**

GAO's opening of a Saigon office in 1966 was a response to many factors. The office had maintained small resident staffs in a European Branch in Frankfurt, Germany, and a Far East Branch in Honolulu for some years. These staffs were supplemented as needed by temporary travel assignments of professional staff members drawn from the various GAO offices. Overseas work was administered by the International Operations Division. About 150 years of professional staff time, or about 7 percent of GAO's total audit effort, was being applied to international activities worldwide.

In the spring of 1966, U.S. involvement in Vietnam escalated. U.S. military supplies and construction equipment, along with large quantities of Agency for International Development (AID) commodity assistance, were piling up in the ports and other open areas. Congressional concern grew over the huge expenditures and lack of controls associated with the American construction and supply buildup in South Vietnam.

Both the House and Senate Appropriations Committees had urged GAO to move further

into the international arena. Meanwhile, John Moss, Chairman of the Subcommittee on Foreign Operations and Government Information, House Committee on Government Operations, was pressing for an increased GAO effort onsite in Vietnam. As a result, GAO issued a survey report to the Congress on July 18, 1966, and established a GAO office in Saigon in August.

GAO's survey work in Vietnam centered on how well U.S. agencies in the country were carrying out their internal audit and management functions. Five Federal departments and agencies were operating programs costing billions of dollars, yet there was only minimal audit activity. GAO auditors found particular need for improved management of (1) the military and economic assistance programs (receipt, distribution, and end use of commodities and equipment), (2) the military construction program, and (3) AID's commercial import program. This work spawned numerous audits, each concentrating on specific issues.

By the early 1970's, GAO's work in Vietnam had expanded in quantity and scope. As the nature of U.S. involvement in Vietnam changed, so did the subject of GAO's work—from examining the provision of military and economic aid to determining the effectiveness of efforts to return government functions back to the people of South Vietnam. The number of audits decreased with the lessening U.S. involvement until GAO closed its suboffice in Saigon in December 1973.



**GAO AUDIT TEAM** at Air Force Logistics Command, Da Nang, Viet Nam, September 3, 1968

GAO's work in Vietnam brought into focus some questions unique in GAO experience concerning assignment of staff members to potentially high-risk areas. The Comptroller General and Oye Stovall, then Director of the International Division, had to consider:

- What was the Comptroller General's responsibility to the Congress for audit and other work in a foreign war zone?
- To what extent could GAO's work in such a zone offer prospects of results at least equal in value to those of other areas where GAO staff were needed?

- What were the responsibilities of GAO employees on assignment in a potentially hazardous foreign war zone?
- What was the potential effect of Vietnam assignments on the morale of GAO staff members and their families and, consequently, on the ability of the Office to continue to attract and retain top-quality professional staff members?

It was decided that GAO's presence in Vietnam was necessary and assigned staff cognizant of these and other concerns. But as Stovall said:

## The U.S. Ambassador In Saigon Cool To GAO Study

In October 1972, shortly before the Presidential election, Secretary of State Henry Kissinger declared that "peace is at hand." At that time, only 25,000 U.S. troops remained in Vietnam, but GAO planning was based on solid information that the American presence would continue indefinitely. The Saigon office continued its work.

Peace was a little less at hand than Kissinger had predicted, and during the period between November 1972 and January 1973, the United States shipped massive quantities of equipment and supplies to Vietnam. Late in January, the peace treaty was signed and the United States began preparing to withdraw the remainder of its troops. Pressure began building for all civilians, including GAO staff, to pull out of Vietnam.

In late spring, GAO received a request from the Chairman of a Senate Subcommittee on Refugees to look into the refugee problem in Vietnam. This was the fourth such request GAO had received over the years, and it came about the time Graham Martin arrived in Saigon as the new Ambassador.

GAO had cultivated and maintained a good working relationship with the Embassy over the years. GAO relied on the Embassy for all of its logistical support, and good working relations were vital to getting any job done in Vietnam. However, as soon as Ambassador Martin found out that GAO had received the refugee request, he summoned GAO's manager in Saigon, Frank Borkovic, to the Embassy. This would be Borkovic's first meeting with the newly arrived Ambassador.

Borkovic soon learned that Ambassador Martin had little enthusiasm for GAO audits generally or the Subcommittee's latest request on refugees in particular. He informed Borkovic that he had been assured by GAO in Washington only the previous week that GAO would be doing no more work in Vietnam for the requestor on refugees. Borkovic tried to reassure Ambassador Martin by informing him that GAO had merely been asked to update its previous work. The Ambassador would not be mollified. At one point, he thrust a communication at Borkovic and insisted he read it on condition that he not reveal its contents to anyone else. Borkovic demurred, stating that if the communication contained information relevant to his responsibilities, he might have to relay it to GAO's Far East Branch Director in Honolulu.

The meeting ended with a statement by the Ambassador that he would be contacting GAO headquarters when he returned to Washington the following week. He did subsequently discuss the matter with a senior GAO official, but GAO went ahead with the job and issued its report.

Relations between the Embassy and GAO cooled considerably thereafter. This, coupled with larger events associated with the U.S. withdrawal, triggered a period of uncertainty as to whether GAO would keep open its Saigon office. When an opportunity arose for GAO to open an office in Bangkok, Thailand—only an hour's flight from Saigon—the decision was made to close the Saigon office in July 1973. From then until the end of the war in the spring of 1975, GAO staff performed its Vietnam work with temporary duty staff mostly from the Bangkok office. The workload continued at a relatively high level, and closing the Saigon office had little effect on the final products.

The staff generally liked the challenge of working in a war zone, and they believed their work contributed important information about some of the excesses associated with this conflict and prevented even greater waste of the taxpayer's dollars.

\* \* \* these basic considerations, arising from GAO's experience in Vietnam, have a continuing relevance and could come again quickly to the forefront in a future emergency involving United States commitment to action in a foreign area.

These questions are particularly acute in relation to terrorist or guerrilla activities having no clear combat boundaries.<sup>3</sup>

### **MEASURING FEDERAL PRODUCTIVITY**

GAO's interest in productivity began when the Comptroller General, following discussions with Senator William Proxmire, Chairman of the Joint Economic Committee (which had recently held hearings on productivity), undertook a comprehensive evaluation of the possibilities for measuring productivity in the Federal sector. In response, the Comptroller General convinced the Office of Management and Budget and the Civil Service Commission to work with GAO in developing productivity measures. The Committee strongly supported this effort.

Past attempts to explore the feasibility and usefulness of productivity measurement in Government organizations had had varying success. A 1960 Bureau of the Budget study, conducted under Staats' direction as Deputy Budget Director, concluded that development of valid productivity measures was feasible for a considerable portion of Federal activities. No further action on this promising beginning was taken at the time. But under GAO's direction, the joint study team demonstrated that productivity measures could be prepared and subsequently developed measures for about 60 percent of Federal civilian activities. The joint team then recommended that a permanent Government-wide measurement system be established. The measurement system now in operation covers over 65 percent of the Federal work force.

The Comptroller General regarded the measurement of Federal productivity as only the first step. He personally worked with Senator Proxmire to increase the Joint Economic Committee's support for GAO reviews of productivity programs in the private sector. He also recommended in 1974 that the Joint Financial Management Improvement Program find out what could be done to enhance the productivity of Federal workers. Also in 1974, he supported legislation which would continue the work performed since 1970 by the National Commission on Productivity and Work Quality. GAO favored establishment of an invigorated National Center for Productivity with long-term financial support to ensure a consistent national productivity improvement program.

In 1977 GAO established productivity as an issue area (see ch. 10) and a special productivity group in one of the divisions. GAO's coverage was broadened to include Federal efforts to fos-

ter productivity improvement in the private sector and State and local governments. Many reports on productivity in all these sectors were released.

GAO has been instrumental in creating an understanding of the importance of productivity to our economy. In April 1979, Senator Lloyd Bentsen, Chairman of the Joint Economic Committee, asked GAO to examine the possibility of establishing a focal point for Federal efforts to stimulate productivity and to draft recommended legislation. Both the Senate and the House introduced GAO's recommended legislation, but the Congress had not taken final action as the 96th Congress neared adjournment.

GAO consistently emphasized the need for an effective national productivity effort properly supported by the President and the Congress and based on a national productivity plan. The recent national concern with productivity decline in the U.S. economy has borne out the significance of GAO's work in this area.

### **ADDRESSING INTERGOVERNMENTAL RELATIONS**

During the 1966-81 period, GAO consistently advocated strengthening the ties between the Federal sector and State and local governments, including the improvement of procedures for administering and consolidating Federal grant programs. GAO supported the Intergovernmental Cooperation Act of 1968, which directed the Office to study grant-in-aid programs when requested by a committee having jurisdiction, and anticipated that many requests would grow out of these requirements. Few actually materialized, however.

The general revenue sharing legislation enacted in 1972 posed a new challenge to maintaining accountability for Federal funds because, by definition, State and local governments were granted broad latitude in using the funds. The Comptroller General, therefore, established the field of intergovernmental relations as a focus for GAO audits and evaluations. GAO's approach to reviewing the intergovernmental assistance system was problem rather than program oriented. The principal objective was to promote more effective operation of the Federal assistance system by identifying and analyzing major causes of intergovernmental conflict and recommending ways for improvement. Special emphasis was placed on examining the impact of Federal policies and practices from the perspective of State and local governments. Other major objectives were to (1) explore the extent to which Federal assistance, as a system, is responsive to governments or areas most in need and (2) help the Congress assess alternative policies for distributing Federal aid to States and localities.

Because the Comptroller General believed that GAO needed to devote attention to general management issues endemic to the Federal sys-

tem, intergovernmental reviews were normally concerned with Federal policies and practices having broad applicability among various programs and agencies. The intergovernmental work also included evaluations of individual Federal programs if their principal objective was to provide general financial support to State and local governments. General revenue sharing and

the New York City loan program, for example, have received considerable GAO attention.

## **Efforts To Foster Cooperation With Executive Agencies**

Since 1966, GAO charted a course of cooperation and coordination with the executive

### **Postal Service Audit Site: We're Here To Help**

What history of GAO would be complete without mention of those two biggest deceptions in the audit world: (1) the auditor's claim that "We're here to help you" and (2) management's claim that "We're glad to see you"? However, there have been times when these two deceptions became truths. One of them was at the Postal Service Audit Site—under the direction of William J. Anderson, now Director of GAO's General Government Division.

On July 1, 1971, the Postal Reorganization Act brought the U.S. Postal Service into existence as an independent and a self-sufficient agency. The objective of the reorganization was to improve mail service through the application of business-like practices. About 1 year later, Anderson had just completed a tour with GAO's Far East Branch and upon his return to Washington, he assumed leadership of the Postal Service audit site.

Soon thereafter, Anderson adopted a strategy which had served him well throughout his auditing career: The way to achieve cooperation from an agency and produce results which can benefit both GAO and the agency is to gain entry to the highest levels of management. This access not only serves as a vehicle for discussing GAO's findings, but it also can be used as a lever to make all levels of the agency responsive. Therefore, he took the initiative to meet with the Postmaster General—E. T. Klassen. The initial meeting was for the ostensible purpose of alerting Klassen to what GAO was up to in the Postal Service. (Anderson observed that it was fascinating how attentive Postal field officials became when he offhandedly managed to let them know he had recently been discussing one thing or another with "Ted" Klassen.)

Klassen, formerly a corporate executive, had been chosen for the post after the Postal Reorganization Act of 1971. It was thought that someone with experience in the private sector could best head up a semi-independent Government agency.

Anderson persuaded Klassen that GAO could be an important source of supplementary information to the Postmaster General on what was going on across the Postal Service by reason of GAO's nationwide auditing capability. Indeed, soon after Anderson's first meeting with Klassen, the Postmaster General began approaching the GAO audit site for advice about various activities at the Postal Service.

Once, in 1974, Klassen received a series of complaints about the speed of mail service in various parts of the country.

Unable to get a satisfactory answer from his own organization, he arranged to have a friendly congressman request GAO to do a report on the Postal Service's system for measuring mail delivery performance. Later, Anderson was told that the Postal Service felt it needed an independent third party of GAO's stature to assess the system's credibility. GAO accepted the request. The ensuing report met the Postal Service's expectations, supporting as it did the accuracy of the Service's national delivery performance statistics. Unfortunately from the standpoint of the Postal Service, it also contained some harsh criticisms about the accuracy of local statistics and cited some examples of outright cheating by local postal officials to make their statistics look good.

This assignment was also unusual for another reason. Anderson could not obtain the GAO resources to conduct the needed nationwide tests so he arranged to have a large number of the Postal Service's internal auditors conduct them under GAO supervision.

Anderson recalls that throughout the investigation, both sides wanted to produce an effective report. His crew and the Postal Service management met often to discuss issues cordially and informally.

In 1976, about the time he was reassigned, Anderson gave the Postal Service "a report card" on its first 4 years of existence in testimony before the Senate Committee on Post Office and Civil Service. In his statement he recommended—contrary to much sentiment at the time—that the Postal Service be given more time to see if self-sufficiency could be achieved, and he endorsed the establishment of a Commission on the Postal Service to determine what portion of the Postal Service's expenses should be supported by appropriations.

agencies while retaining the Office's independence and objectivity. The Comptroller General firmly believed that more progress in improving the Federal Government could be achieved by convincing Federal officials of GAO's ability to fairly and objectively examine programs and that GAO succeeded best when its work produced positive results and change for the better. GAO's cooperation and coordination took many forms. In the late 1960's, they were translated into audits of broader scope, striving for fair and objective reporting and focusing on suggestions for improvements. Gone was the steady stream of harsh criticisms of agency practices and procedures. GAO could be considered an ally—but an independent ally.

An example of this new posture was GAO's involvement with the Secretary of Defense in auditing the Vietnam War. While drafting its report on the absence of internal controls over military supply and construction procedures, GAO received a request from the Department of Defense to assist military personnel in identifying and plugging holes in the supply lines. The situation was critical; the U.S. failure to provide sufficient supplies to the Armed Forces was having a negative effect on their ability to achieve military objectives. The Comptroller General agreed to help DOD but only if GAO auditors could independently evaluate data and report findings. Secretary of Defense Robert S. McNamara agreed. The arrangements worked out included weekly briefings with McNamara's staff and transmittal of GAO work progress reports directly to him—an unprecedented procedure that afforded the Secretary the most timely information available.

This example, relatively unknown throughout the Office, is just one of many signaling the start of GAO's initiative to work more directly with others in achieving common objectives. Other examples included improving Government financial management, encouraging open communications between GAO and agency officials, and supporting the establishment of Inspectors General in all Federal agencies. This new emphasis on cooperation contrasted with the hands-off attitude associated with the classic audit approach, and many years passed before GAO and agency staff became accustomed to it.

## **The Continuing Problems Of Access To Records**

To satisfy its mission and inform the Congress of the use and application of Federal funds, GAO must rely on the availability of people and records in the Federal agencies and elsewhere. Obtaining this access, however, has not always come easily.

As stated in the Budget and Accounting Act, 1921, and reinforced in numerous subsequent laws:

*All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment.<sup>4</sup>*

Full access to records allows an independent, fair, and objective review and evaluation of Federal programs and activities. Most Federal agencies, contractors, State and local governments, and others recognize this requirement and cooperate fully with GAO. Throughout GAO's history, however, some executive agencies and recipients of Federal funds attempted to block GAO's access. Some attempts were very obvious, as when the Federal bank regulatory agencies and the FBI cited legal grounds as barriers. Other attempts were more subtle, such as delayed responses to GAO requests for documents, unavailable staff, and never-returned phone calls. Only the persistence and determination of GAO staff got the job done. Nevertheless, these delays can have a serious impact on the timeliness and completeness of GAO's work.

In a few cases, GAO went to court seeking judicial confirmation of its legal right to records. For example, in 1962 the Hewlett-Packard Company, which had negotiated four contracts with the Air Force for electronic test and measuring equipment, denied GAO's request for cost records. The basis for the contractor's refusal was that production costs were not "directly pertinent" to GAO's audit because costs were not a factor in the contract negotiations. GAO asked the Department of Justice to take the case to court. The lower court ruled in GAO's favor but with reservations concerning the Federal Government's intrusion into private industry. Then in March 1968, the U.S. Supreme Court let stand a Court of Appeals confirmation of the lower court ruling. It was a landmark decision, fundamental to GAO's jurisdiction.

A second access-to-records case, which is still being decided, involved five drug manufacturers. Following up on congressional interest in the cost of prescription drugs supplied to Federal agencies, GAO attempted to audit several contracts entered into by the Veterans Administration and Department of Defense in 1973 and 1974. GAO sought voluntary access, hoping to convince the drug industry that it would be in their best interest because GAO would report in general terms on the pricing system with little or no reference to actual costs. Despite 3 years of negotiations, the drug companies denied GAO access and the law-

suits began. The first case to come to trial resulted in an initial setback for GAO at the lower court level, but the Office won its appeal at the Seventh Circuit Court of Appeals, which the Supreme Court let stand by refusing a further hearing. In essence, the courts agreed that GAO had legal access to records documenting not only direct manufacturing costs but also indirect or overhead costs, such as research and development and marketing. Another drug manufacturer's suit against GAO had the same outcome. Additional suits, involving three other manufacturers, are in various stages of litigation. However, some lower courts have ruled in these suits that GAO has a right to direct cost records only; GAO is appealing to gain access to indirect cost records as well. Because of the divergent lower court rulings, the Supreme Court will probably have to make a final decision.

The Department of Defense and its various services and agencies also caused much difficulty for GAO in obtaining all pertinent records and files. Many of the problems could be traced to various DOD or service policies which placed restrictions on documents available to GAO. Some of these policies were revised several times, and GAO's access problems varied accordingly. An early access problem illustrates the extent to which DOD could frustrate a GAO review.

In the late 1960's, the Defense Division had extreme problems with the Air Force while auditing the F-111 aircraft weapon system. It reached such a point that GAO drafted an entire report chapter detailing every instance of Air Force delay. The draft was sent to the Air Force on a Friday evening. Fearing congressional repercussions, the Air Force settled matters with GAO by the following Monday. The final GAO report contained only a summary of the access problem and its resolution.

*When the full impact of these delays was made known to the Headquarters, Air Force, the Chief of Staff promptly issued a new instruction clarifying the types of data that should be made immediately available to our Office and promised a review and revision of the Air Force regulation on this subject. The action taken by the Air Force Chief of Staff has resulted subsequently in full and timely availability of the required data to us. The planned revision of the Air Force regulation should materially reduce the incidences of these kinds of difficulties.<sup>5</sup>*

These examples highlight some of the access-to-records problems GAO encountered throughout the years. Other cases involved the Emergency Loan Guarantee Board (established to help Lockheed Aircraft out of its financial instability in the early 1970's), the Agency for International Development, the military assistance

program, the National Aeronautics and Space Administration, the Internal Revenue Service, the White House and its Council of Economic Advisors, the Department of Labor and the Farmworkers of America, and DOD's World Wide Military Command and Control System. Although there were few instances in which the adversaries' arguments were valid, GAO had no means of enforcing its statutory rights. Beginning in 1969, there were repeated efforts, sponsored first by Senator Abraham Ribicoff and then by GAO, to enact legislation enforcing GAO's right to access either by subpoena or through the Federal courts. (See ch. 8.) Then in the General Accounting Office Act of 1980, the Congress gave GAO enforcement authority over Federal agencies as well as other entities, such as Government contractors and grantees receiving Federal funds. The authority does not, however, give GAO access to foreign intelligence activities or material specifically exempted by law. The Comptroller General is now authorized to seek a court order requiring a Federal agency to produce records and to subpoena the records of contractors or other "non-Federal persons" to which GAO had right of access by law or agreement.

GAO's more cooperative attitude toward Federal agencies and the enforcement powers granted by the Congress strengthened its ability to obtain needed data. However, the movement toward more program evaluations complicated access problems by introducing questions of confidentiality and personal privacy and the potential for violating the integrity of social experiments. These and other problems, such as granting the Congress access to some types of data obtained by GAO, are beyond the scope of this document. Suffice it to say that access to records will continue to require top management's attention.

## **Coordination With Other Congressional Support Agencies**

Until 1970 only one agency in the legislative branch provided significant staff support to the Congress—GAO. True, there was a small Legislative Reference Service in the Library of Congress, but it had almost no capability to analyze information or go beyond its own resources. The years that followed brought dramatic changes as the Congress sought more of its own information sources to help assert its independence from executive agencies.

The first major change occurred in 1970 when the Congress created the Congressional Research Service (CRS) from the former Legislative Reference Service. In doing so, the Congress recognized its need for an organization that could produce, assemble, and analyze new information and store existing materials, in addition to simply making available information produced else-

where. Indeed, the major development here was the large expansion of the analytical staff.

Early GAO relations with CRS were cordial, and there was little question, either inside the two agencies or outside, about their respective roles. GAO had been consulted by the drafters of the Legislative Reorganization Act about CRS' role, which the Comptroller General viewed as a pool of capable analysts who could supplement existing congressional staff in doing research and analysis. Formal coordination was established, and informal relationships between the two agencies' staffs began to grow in several subject areas. There were few occasions on which GAO and CRS were asked to address the same subject, and there were almost no joint study efforts. Over the years, this relationship has continued to be cordial and informal.

The Office of Technology Assessment (OTA) became the second new support agency with the enactment of the Technology Assessment Act of 1972. OTA's basic functions were to assess the beneficial and adverse impacts of technologies and to analyze alternatives. In addition to taking on a complex new endeavor, this small agency had an unusual organizational arrangement that included a bipartisan Congressional Technology Assessment Board at its head. The board consisted of six Senators and six Representatives, one-half from each political party. OTA also was provided a Technology Assessment Advisory Council, consisting of the Comptroller General, the Director of the Congressional Research Service, and 10 public members.

GAO's relationship with the Office of Technology Assessment also had a good start, and the committees which wrote the Technology Assessment Act consulted extensively with GAO. During testimony in 1969, the Comptroller General expressed the view that GAO could and should play an increasingly important role in monitoring Federal programs where technology assessment was an important consideration, but he also recognized the need for OTA and supported its establishment. GAO was given the job of providing financial and administrative services, and GAO staff worked closely with OTA staff to get the agency housed appropriately and to establish the necessary administrative framework.

Problems began to crop up, however, over the types of studies OTA undertook in the name of technology assessment. As a member of the advisory council, Staats kept close tabs on what the agency was doing and provided OTA staff with his direct input. In his view, the primary need for establishing the agency was a

*ble consequences developed to an irreversible stage.*

On the other hand, the Comptroller General believed OTA had accepted and performed tasks which were not unique to this mission and which could well have been performed by other legislative agencies.<sup>6</sup>

Real control of what subjects OTA addressed was in the hands of the committees requesting the work and the Congressional Technology Assessment Board, so there was little GAO could do but raise these issues in council meetings and in committee oversight hearings. Aside from this difference over policy matters, relations between GAO and OTA staffs have been constructive and cordial, and the agencies have common interests they pursue together. OTA's staffing and budget are still very small compared with GAO's.

GAO's relationship with the third legislative support agency, the Congressional Budget Office (CBO), did not develop as smoothly. Established in 1975 following enactment of the Congressional Budget Act of 1974, CBO is essentially the congressional counterpart to the Office of Management and Budget. It assists the Congress in carrying out the budget process established by the act by providing information to the newly established House and Senate Budget Committees. Although CBO's stated duties differ from GAO's, the new agency—more than any other support agency—has a charter related to Federal spending and financial management, GAO's traditional turf. The primary distinction is that CBO is involved at the front end of the process (budgeting), whereas GAO is more concerned with matters after the fact (auditing and program evaluation).

Relations with CBO got off to a rocky start even before that Office was formed. The budget act provided that CBO would come into existence with the naming of its first director, who was to be appointed by the congressional leadership after considering the Budget Committees' recommendations. However, the two Committees supported different nominees, and a stand-off ensued into early 1975. As the time approached for a dry run of the budget process, both Committees formally requested GAO and CRS to jointly prepare the budget report—a responsibility assigned by the act to CBO. Concerned about the potential consequences for the new budget process of further delay in appointing a director, the Comptroller General agreed to the request and offered to explore the idea that GAO and CRS perform all of CBO's functions. The request was assigned to the newly established Office of Program and Budget Analysis (now the Program Analysis Division, as discussed in ch. 9).<sup>7</sup>

Shortly thereafter, agreement was reached on appointing Alice Rivlin as CBO director, and GAO and CRS produced the requested budget

\* \* \* special capability to examine emerging issues involving new or expanding technologies and to assess potential impacts  
\* \* \* for Congress to consider before crises loomed or processes with undesira-

report. However, Staats' earlier suggestion that GAO and CRS assume all of CBO's responsibilities provoked a negative reaction from the Senate Budget Committee Chairman. In a March 1975 letter to the Comptroller General, he expressed strong concern about GAO's Office of Program and Budget Analysis and the amount budgeted for it in fiscal year 1976.

*We envisioned clearly defined areas in which we expected the GAO to exercise substantial responsibility. Nowhere, however, am I aware that we either contemplated or intended to countenance the creation of an office such as the Office of Program and Budget Analysis seems to be.*

*I will appreciate hearing from you at your earliest convenience regarding the justification for this operation. I also strongly suggest that you take no step toward further implementation of this enterprise until we have a chance to thoroughly discuss it.<sup>8</sup>*

In his reply 4 days later, the Comptroller General provided GAO's perception of its responsibilities under the budget act, the reasons for establishing the Office of Program and Budget Analysis, and the roles he envisioned for GAO in the new budget process. He noted that title VII of the act authorized GAO to establish an "Office of Program Review and Evaluation" but that he had chosen a different name—one more descriptive of the duties to be performed. Staats summarized his position as follows:

*\* \* \* it seems to us that if we are to carry out these [budget act] functions we need to establish a point in the GAO at which we can consolidate the hundreds of reports*

*and recommendations which GAO develops over the course of a year and synchronize this consolidation with the timing of the congressional budget process. This task requires the synthesis of information in a form and on a time schedule which is completely unique to the GAO.<sup>9</sup>*

The response, however, did not resolve the issue. A month later, the issue arose again at GAO's Senate appropriations hearing. Responding to questions, the Comptroller General carefully explained the rationale for GAO's new office and contradicted assertions that it duplicated CBO's functions. He also furnished lengthy letters further explaining GAO's position. The Committee was not convinced, however, and it reduced GAO's request for the new Office from 165 to 104 staff-years, the same level as in the previous fiscal year.

GAO had no intention of trying to forestall establishing CBO by assuming its functions or to cut the new agency out of the picture. The offer of assistance had been predicated on the long delay in appointing a CBO director. After Rivlin's appointment, the Comptroller General met with her to discuss what GAO was doing. In addition, GAO had kept in close contact with the Budget Committees. Staats had urged that all these parties maintain a continuing dialog so that the congressional budget process could succeed—a goal he heartily supported.<sup>10</sup> Nevertheless, the congressional response indicated that some persons must have suspected a GAO attempt at preemption. Staats said that, in retrospect, a better course for suggesting that GAO and CRS assume CBO's duties would have been a telephone call instead of a letter. In that way, any misunderstanding could have been dealt with on the spot.

Since these events, GAO staff have kept in reasonably close contact with their CBO counterparts, particularly concerning GAO's congressional information responsibilities under title VIII of the budget act (see ch. 2) and on new jobs. Both agencies have preferred that day-to-day relationships be kept informal.

The cut in GAO funding was not the only action taken in 1975 to deal with the support agency duplication issue, however. Expressing concern about overlap between CRS, OTA, and GAO, the House Appropriations Committee urged a management survey of CRS. The Senate Committee supported the House Committee and urged "continued development of a process for merging the resources of these information arms of the Congress to bring their collective strengths to bear on the issues before the committees of Congress."<sup>11</sup> In a later report, the Committee strongly recommended that a research notification system be established in CRS.<sup>12</sup> Soon thereafter, with the cooperation of the other agencies, CRS established a system to



**COMPTROLLER GENERAL STAATS AND CBO DIRECTOR RIVLIN** at hearings before the Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs on the Sunset Act of 1977, March 28, 1977



**STAFF OF THE CBO, CRS, AND OTA JOIN GAO STAFF** at a meeting of the Interagency Coordinating Group. 1978

provide weekly listings of ongoing and completed assignments of the four agencies, classified by subject area, to all four support agencies.

Since 1975, a process gradually emerged to coordinate the work of the four agencies. Top officials of these agencies get together periodically to discuss issues of common interest. GAO has appointed liaison officers for each of the other agencies and has required its staff to contact the sister agencies when starting a new job. Working level staff meet also to discuss ongoing and planned work and to promote continuing working relationships. Informal communication between agency staffs has been encouraged, and provisions have been made for joint performance of assignments when appropriate. Finally, GAO and the other agencies each have issued widely distributed publications describing what each does and does not do.

Congressional committees responsible for overseeing the support agencies have continued their interest in minimizing overlap and duplication. There have been allegations of duplication, but considering the volume of work done by these agencies, the duplication appears to have been minimized except when the Congress itself has requested more than one agency to study the same subject. GAO has emphasized its mandate to audit and evaluate executive branch operations—its basic statutory responsi-

bility—regardless of what congressionally requested studies are underway in other support agencies. However, GAO has continued to recognize the importance of good communication among the congressional support agencies as well as with the committees of the Congress.

1. Comptroller General's report, "FBI Domestic Intelligence Operations—Their Purpose and Scope: Issues That Need To Be Resolved" (GGD-76-50, Feb 24, 1976).

2. Comptroller General's report, "Federal Supervision of State and National Banks" (OCG-77-1, Jan. 31, 1977).

3. Oye V. Stovall, Director, International Division, 1963-73, Letter to Roger L. Sperry, 8 Feb. 1980

4. 31 U.S.C. 53, sec. 312 (1921), Budget and Accounting Act.

5. Comptroller General's report, "Status of the Acquisition of Selected Major Weapon Systems" (B-163058, Feb. 6, 1970).

6. U.S. Cong., Senate, Subcommittee on Science, Research and Technology, Committee on Science and Technology, *Testimony of Comptroller General Staats* (13 Oct. 1977), p. 3.

7. Comptroller General Staats, Letter to Chairman, Senate Committee on the Budget, 6 Feb. 1975

8. Senator Edmund S. Muskie, Letter to Comptroller General Staats, 11 Mar. 1975.

9. Comptroller General Staats, Letter to Chairman, Senate Committee on the Budget, 15 Mar. 1975, p. 3.

10. *Ibid*

11. U.S. Cong., Senate, Committee on Appropriations, *Legislative Branch Appropriations, 1976*, 94th Cong., 1st sess., S. Rept. 94-262 (Washington, D.C.: GPO, 1975), p. 35

12. U.S. Cong., Senate, Committee on Appropriations, *Supplemental Appropriations Bill, 1976*, 94th Cong., 1st sess., S. Rept. 94-511 (Washington, D.C.: GPO, 1975), p. 51.

Part II

# **Managing GAO To Meet The Needs Of Its Times**

# Chapter 7

## Managing The Agency\*

The 1921 Budget and Accounting Act states simply that the GAO "shall be \* \* \* under the control and direction of the Comptroller General of the United States."<sup>1</sup> Managing GAO, of course, is not that easy. The Comptroller General must cope with the traditions and practices of a Federal agency in business since 1921. GAO also has unique characteristics, particularly the combination of its size, its geographic dispersion, and the analytical nature of its staff and operations. This combination makes change difficult to manage, and while the Comptroller General can make changes, the organization expects change to occur in an orderly manner with due notice and consultation with those affected.

Through the 1966-81 period, GAO's management both changed and stayed the same. Many of the basic methods and values associated with the post-1950 comprehensive audit era remained embedded in the system. One basic change involved focusing more of GAO's efforts on improving the effectiveness of Government as contrasted with identifying individual deficiencies. In addition, the audit and evaluation staff nearly doubled in size between 1966 and 1980. Such growth, as well as GAO's reorganization and new responsibilities, enlarged the management cadre. The more challenging tasks taken on by GAO and the diversification of its personnel made management's job more complex, and advisory groups were used as an important aid to managing. The autonomy formerly enjoyed by audit site heads and regional managers was weakened, and the agency became more bureaucratic as detailed operating procedures and how-to-do-it manuals multiplied. Participative management became the way of doing business at the top, but some managers just simply wanted to be left alone to manage their own affairs.

### Comptroller General—A Unique Office, Title, And Tenure

The Office of Comptroller General has several unique features. First, the incumbent is presidentially appointed subject to confirmation by the Senate. This provides a link to both the legislative and the executive branches, but line responsibility to the Congress alone. Second, the 15-year term provides the needed independence and timespan to accomplish nearly any goal.

\*Note—This chapter posed a real problem for the author. This history is to be an objective account of GAO's development, avoiding any personal tribute to the Comptroller General and the results of those actions on the agency, not him as a personality. However, that approach is really not possible in this chapter, since, to some extent, it addresses his management style. Suffice it to say that although this chapter is more "personally" focused on the Comptroller General than the rest, the goal was to make it no less objective.

Last, the Comptroller General's authority spans the entire Federal Government and touches State and local governments and many nongovernmental activities as well. A Comptroller General must be aware of political realities but be above partisan politics. He must be politically neutral about Government programs, so that GAO's staff can conduct their work objectively and independently of outside pressures. Above all, his personal integrity must be beyond question.

GAO operates under a series of statutory authorizations dating primarily from the 1921 Budget and Accounting Act. Although some of the Comptroller General's statutory responsibilities are rather specific, the lion's share of GAO's resources are devoted to the most broadly defined duties (audit and evaluation). He is therefore provided wide latitude in setting the agency's course.

GAO is accountable to the Congress in several ways. It must present a budget and obtain appropriations each year, and the Comptroller General must file an annual report at the beginning of each congressional session. It must answer to the House Government Operations Committee and the Senate Committee on Governmental Affairs, which have legislative and oversight jurisdiction over its charter. GAO must also respond to questions about the Office's work at more than 200 hearings each year. Finally, the Comptroller General and the GAO staff sit at the end of a telephone line where they can be contacted by the 800 or more congressional offices which have come to expect prompt and efficient service from GAO.

All except classified GAO reports and other documents are now public, so both the news media and the public can—and do—exercise oversight as well. Language inserted in the Legislative Reorganization Act of 1970 at GAO's request laid the foundation for a 1977 policy change requiring that reports and legal opinions made at the request of congressional committees or members be released no later than 30 days after the reports are sent to the requesters. Previously, there had been instances when such documents had not been released for extended periods.

### How The Comptroller General Functioned

Top management is the directing, vision-setting, standard-setting organ. As such it has specific tasks. It requires its own organization. And it faces specific top management challenges of structure and strat-

egy with respect to size and complexity, diversity and diversification, growth, change and innovation.

—Peter F. Drucker,  
“Management: Tasks,  
Responsibilities, Practices”

Because Staats saw GAO and the Office of Comptroller General as one and the same, he took it upon himself to be the agency's top manager as well as its chief representative to the world outside. Peter Drucker wrote that top management's job is multidimensional and that it requires at least four kinds of human being: the thought man, the action man, the people man, and the front man.<sup>2</sup> Although Drucker asserted that these four temperaments are almost never found in one person, Staats attempted all these roles during his 15 years at GAO. The extent to which he succeeded in each role varied with the nature of the role.

#### **BACKGROUND AND EXPERIENCE**

The Comptroller General brought to his position in 1966 a quarter century of Government experience in a variety of responsible positions, mostly in the former Bureau of the Budget. His sphere of knowledge and influence was further broadened through memberships in numerous

organizations and professional societies. He also maintained connections with higher education by serving on the boards of trustees and visiting committees of several colleges and universities. Through his work on the Federal budget, he became interested in government-business relations and acquired membership in such organizations as the Conference Board and the American Management Association. All of this activity provided Staats with a great range of contacts and information sources to draw on.

#### **INTERACTING WITH PEOPLE**

Staats' management style contrasted sharply with that of his predecessor. Mindful of his 15-year term (Cabinet officials' tenures average only about 2 years), he proceeded carefully and gradually, taking his time to understand the institution he headed and its people and to establish a dialog with his top assistants about what needed to be done and how to do it. He built consensus, mediated, cooperated, and supported others' efforts.

Staats was highly organized and packed a lot into a day. He liked to interact with other people and conducted much of his business through meetings, sometimes small and informal but often large and involving people from various organizational levels. He spent most of his time in the Washington, D.C., area, but accepted

## **Comptroller General's Participation On Board And Commissions**

*The Office of Comptroller General sometimes extends beyond GAO's walls. From time to time, statutes establishing special commissions or councils have named the Comptroller General as a member. In addition, he has served on commissions by Presidential appointment.*

*One of Staats' earliest and most important appointments was to the Commission on Government Procurement. Established by law in 1969 to make a comprehensive study of Federal procurement statutes, policies, and practices, the Commission completed its work during fiscal year 1973 and submitted a four-volume report to the Congress. The report contained 149 recommendations for improving Government procurement.*

*Because of the Comptroller General's membership and GAO's considerable experience with Federal procurement law and agency procurement operations, GAO provided the Commission with much assistance during its study. Twelve GAO staff members were assigned to work with the Commission's staff or its various study groups for a year or longer. Also, GAO's Office of the General Counsel provided legal assistance.*

*In 1979 GAO completed a series of six progress reports on implementation of the Commission's recommendations. The reports were submitted to the House Committee on Government Operations.*

Here is a list of the commissions and boards on which Staats or his designee served.

1967	President's Commission on Budget Concepts
1969	Commission on Government Procurement
1970	Cost Accounting Standards Board
1972	Advisory Council for the Office of Technology Assessment
1974	Presidential Election Campaign Fund Advisory Board
1975	Commission on Federal Paperwork
1977	Task Force on the San Luis-Central Valley Project
1979	President's Management Improvement Council
1979	Chrysler Corporation Loan Guarantee Board
1980	Railroad Accounting Principles Board

many invitations elsewhere to speak about GAO and bettering Government. His many duties as Comptroller General brought him in contact with leaders in many walks of life, and he served as a primary information conduit between GAO and the world outside.

### GOALS AND OBJECTIVES

The Comptroller General came to office without a clear set of goals for the institution. He was not intimately acquainted with GAO's mission and had not campaigned for the job. As time passed, however, what he wanted to do became clearer. He articulated his goals for GAO in numerous speeches, testimony, journal articles, and informal discussions with top GAO staff. At the end of this term, looking back at all of the record, these are the broad goals he sought to achieve.

1. *Improve the management and effectiveness of government.* As far back as 1968, Staats asserted that GAO's role extended far beyond what was generally regarded as "public accounting" and into the reviews of "management performance and program effectiveness." In a larger context, he saw the demands of society placing greater burdens on Government, particularly in social policy and because of changes created by technological advances. "Accountable progress

must be made in all these fields as rapidly as leaders in Government, business, industry, and the professions can do so," he said that year. "This is a time when we must all \* \* \* work together \* \* \* if we are to maintain our democratic society."<sup>13</sup> These concepts became the following objectives for GAO:

- *Strengthen financial management.* As discussed in chapter 4, GAO consolidated and strengthened its efforts and set a goal that all Federal agency accounting systems be up to standard by the end of his term.
- *Evaluate management and impact of Federal programs.* GAO's work should contribute constructively to greater economy, efficiency, and effectiveness in Government programs and operations by recommending ways of making both proposed and ongoing programs work better, defining program alternatives, and making the results of GAO's studies known before decisions are reached.
- *Reduce program costs and achieve savings.* Always proud to report that the dollar savings due to GAO's work far exceeded its budget, GAO gave even greater emphasis near the end of the 1966-81 period to work



**THE COMPTROLLER GENERAL** used meetings like this one with students at the Industrial College of the Armed Forces to spread the word about GAO activities

# **A Week's Calendar Of The Comptroller General's Activities**

## **October 1979**

### **MONDAY, OCT. 22**

- 9:00 am Meeting with Messrs. Scantlebury and Points, FGMSD, on article being drafted.
- 9:30 Meeting with staff on proposal to issue only summaries of selected GAO reports to certain recipients. Messrs. Keller, Heller, Pin, Fitzgerald, Wm. Anderson, and Brown attended.
- 10 Briefing by Messrs. Scantlebury and Simonette, FGMSD, on review of Foreign Corrupt Practices Act.
- 11:15 Meeting with Messrs. Scantlebury and Brandon, Director of Personnel, on selection of Deputy Director, FGMSD.
- 11:50 Photo session with 45-year career awardee.
- Noon Luncheon for INTOSAI fellows with Mr. Heller and Ms. Orr, Special Assistant to Mr. Heller.
- 2:30 pm Meeting with Mr. Voss, Director, GGD, and staff on October 25 testimony on drug enforcement.
- 3:30 Interview with Mr. Jim Singer, reporter for the National Journal, on forthcoming article on GAO evaluation studies.

### **TUESDAY, OCT. 23**

- 9:00 am Meeting with Mr. Charles Bowsher, Arthur Anderson Co.
- 10 Meeting with DOD Deputy Secretary Claytor on Cost Accounting Standards Board.
- 11:30 Meeting with Messrs. Fitzgerald, Griffith, and Garvey, OCR, on proposed reply to congressional request.
- 1:30 pm Meeting with Mr. Krieger, FPCD, on upcoming Public Management Conference.
- 2 Meeting with staff on study of House and Senate Financial Disclosure Systems.
- 3:30 Meeting to discuss judicial decision on Gary Aircraft Corp. bankruptcy case. Messrs. Socolar, Fitzgerald, Wm. Anderson, and J. Martin attended.

### **WEDNESDAY, OCT. 24**

- 10:00 am Speech to Industrial College of the Armed Forces class of 1980 on defense decisionmaking.
- 12:15 pm CG staff luncheon. Secretary of Agriculture Bergland was guest speaker.
- 2:30 Briefing by Dan Leary, Director, Claims Division, on Office of Management and Budget debt collection project. Messrs. Socolar, Fitzgerald, and Scantlebury attended.
- 4:30 Meeting with Henry Eschwege, Director, Community and Economic Development Division, and Messrs. Heller and Brandon on personnel selection.
- 6 GAO office-wide awards ceremony.

### **THURSDAY, OCT. 25**

- 10:00 am Testimony at Appropriations Committee hearing on drug enforcement activities.
- 11:45 Hearing, Educational Aid and Research Foundation luncheon at Cosmos Club (Comptroller General a board member).
- 2:00 pm HEAR board meeting.
- 7:30 Reception at Kramer Bookstore for Dr. Frederic Mosher.

### **FRIDAY, OCT. 26**

- 8:45 am OCR meeting.
- 10 American University board meeting (Comptroller General a board member).
- 3:00 pm Meeting with Mr. Charles Bingman and Rosslyn Kleeman on President's Management Improvement Council.
- 4 Meeting with Mr. Heller.
- 7 Reception for Vienna State Opera and concert.

### **SATURDAY, OCT. 27**

- 9:00 am In office for dictation and paperwork.

that had potential for budgetary savings, attempting to work even more closely with the Appropriations and Budget Committees.

2. *Increase the usefulness of GAO's work to the Congress.* As Staats specified in GAO's question and answer booklet, "It is my objective to strengthen, wherever I can, the processes through which the Congress can obtain reliable information." For the Office, this meant making its work "more and more relevant to the needs of Congress." (See ch. 2.) But beyond this he asserted that, "The first and foremost responsibility for providing this type of information \*\*\* should continue to rest with the operating agencies, themselves." In this regard, he saw GAO's job, in addition to undertaking its own evaluations of Federal programs, as advising the Congress of how well the agencies had done their jobs of evaluating the effectiveness of their own programs. He also saw GAO as making a particular contribution by reviewing problems or programs involving more than one executive agency.

3. *Broaden the role of auditors, generally, and establish links with other audit organizations.* Staats saw the Federal system of Government as resting on elaborate interlocking relationships between all governmental levels—executive and legislative; Federal, State, and local. The proliferation of locally administered Federal assistance programs necessitated a widened scope of governmental auditing, no matter who performed it—Federal auditors, State and local auditors, or public accountants. Extending the principle even further, he believed that increasing world interdependence necessitated interaction with other nations' audit organizations and strengthening their capabilities.

4. *Strengthen GAO's internal management systems and its personnel.* Staats strove to increase GAO's managerial and organizational effectiveness and encourage excellence among the Office's senior managers. Beyond that he wanted to elevate the professional stature of all GAO personnel by hiring people with various backgrounds, developing and training staff, and encouraging participation in professional organizations. He said:

*When I came here, people were discouraged from joining, and were not permitted to become officers in an organization on the grounds that this might some way compromise their objectivity. I looked at it just the other way around; the more you get people to participate in professional bodies, the more effective we can be.*

Beyond any specific set of goals, Elmer Staats tried to maintain flexibility. This extended to resisting all attempts to impose by statute departments or subunits in GAO or to narrow the

Comptroller General's authority. He also said, "GAO's role will continue to change as the needs of the Congress change in response to the increasing size and complexity of our Nation and its Government."

#### **DESIRE TO MAINTAIN INDEPENDENCE**

Although the Comptroller General wanted to work closely with the Congress and provide greater assistance, he also wanted to make sure the Office retained its independence. GAO decided what issue areas it would review, how the Office would be organized, and what procedures would be used to do its work. Acknowledging that the Congress has the right by law to call on GAO, Staats reserved to himself the final authority to determine the results and recommendations that would be reported from specific reviews. He said:

*We still have leeway in terms of the negotiation of what we do, what timeframe, the nature of the product, and so on. While it is important that we maintain our relationship [with the Congress], we always have to keep in reserve the question of our independence, and we have to keep in reserve the question of priority of that work against other work. I consider the protections that the statute gives the Comptroller General as being an intention that he operate in that kind of framework.*

The Comptroller General was equally adamant about being independent from the President and the executive branch. He wanted GAO to be self-sufficient to the extent possible. This was the foundation for GAO's separate personnel system and its support for authority for GAO's attorneys to represent the Office in access-to-records disputes with the entities GAO audits.

Several times, influential members of Congress proposed tighter reins on GAO. In 1975, for example, members of GAO's oversight committees in both Houses supported legislation to reduce the Comptroller General's term of office from 15 to 10 or 7 years, provide for congressional instead of Presidential appointment, and make it easier to remove a Comptroller General from office. GAO strongly opposed this legislation and argued that, if these changes were made, future Comptrollers General might be reluctant to audit programs having high political sensitivity or recommend changes in legislation, and that a congressionally appointed Comptroller General would not be able to exercise GAO's "executive functions," such as settling accounts, approving accounting systems, and related authorities. (A paper addressing the independence of the Comptroller General and how that independence might be affected by congressional appointment is included as an appendix to this document.)

Eventually, a compromise was reached that provided for a bipartisan congressional commission to develop a list of potential nominees from which the President could choose the Comptroller General. The 15-year Presidential appointment and the original procedures for removal remained intact. (See ch. 8.)

Independence, of course, requires accountability and oversight. On several occasions the Comptroller General encouraged the House Government Operations and Senate Governmental Affairs Committees to hold annual hearings on GAO's work, possibly based on GAO's annual report. This would provide an opportunity to better acquaint the Congress with this work. Staats put it this way:

*In other words, it would give the Comptroller General an opportunity to lay before a committee what he is doing, what progress he is making, what his accomplish-*

*ments have been, what he is trying to do to improve the operations and possibly get some useful feedback. \* \* \* That would be a form of oversight I would personally welcome.*

## **Adapting The Office To Achieve Staats' Goals**

Although the Comptroller General saw much value in the work GAO was doing when he assumed office, he wanted to fashion a larger, more significant role for the Office. How did he adapt the organization to achieve his goals? He proceeded gradually and preferred to act through persuasion rather than executive fiat. He involved his top managers in the decisionmaking process but maintained ultimate responsibility for those decisions himself.

Although there were many plusses in his management style, there was controversy, too. Some



**COMPTROLLER GENERAL STAATS AND DEPUTY COMPTROLLER GENERAL KELLER** confer with Congressman Jack Brooks, Chairman of the House Committee on Government Operations before a 1979 hearing

in GAO thought he tried to move the agency too far, too fast; others believed not far or fast enough. Some questioned his effectiveness, not so much in identifying the changes needed as in implementing them. Others thought him too remote from the working levels to know the pulse of the agency. Whatever the consensus was, major changes occurred at what seemed an ever-increasing pace, and very little was left unexplored or untouched by the end of this term.

#### **DELEGATING AUTHORITY AND RESPONSIBILITY**

Staats strongly believed in delegating authority but maintaining ultimate responsibility himself. In an April 1980 interview, he said the central question about internal management was:

*Essentially how do you strike a balance between the need to delegate the maximum feasible extent as against maintaining some kind of central guidance to provide for consistent application of policy among the various divisions?*

*We have been trying to delegate to the maximum extent. We try to put the burden of proof on the need to centralize.*

This is how he tried to maintain the balance. He continued, "If you have as many projects as we have [up to 1,500 on any given day], then you have to delegate."

Generally, he maintained control of the Office's work through the planning process.

*If you give each of the divisions a lead role on one or more issue areas and say, "It is your job to plan GAO-wide, subject only to the advice, help, and some control that you get out of the Office of Program Planning," you go a long way to decentralize the planning process as well as the execution.*

Staats' concept of decentralization was a special one, however. Decentralizing to him meant delegating responsibility to the next lower level of management—the division directors—not necessarily to the middle and lower levels of the organization where most of the authority had been in the past. The audit organization Staats inherited consisted of three largely autonomous operating divisions and 16 independent regional offices which controlled what work was done, who did it, when and how it was done, and where the results were reported. Audit site heads enjoyed much autonomy and could exercise their own initiative and ideas within general guidance furnished by the division director or regional manager. The result sometimes was a fragmentation of the work and some overlap and competition, but the auditors knew what the rules were and fashioned work plans and sched-

ules to suit what they perceived as GAO's mission and the most promising opportunities. Staats' approach differed from that of the organization he inherited.

#### **INVOLVING MANAGERS IN THE DECISIONMAKING PROCESS**

When asked if he found GAO's environment different from that in the executive branch, Staats said the biggest difference he noticed was "the reluctance of [GAO] staff to argue and debate, and come forth with their own ideas." He felt that perhaps some people were more comfortable following orders rather than helping to make policy. But following his practice at the Bureau of the Budget, Staats encouraged debate and argumentation, partly because he felt that once a decision was made, "people who went through the process would be more knowledgeable concerning how you got from here to there." Therefore, he generally followed a practice of involving his managers in identifying problems, coming up with suggested courses of action, and proposing solutions. He reserved to himself, however, the right to make the final decisions. One official characterized his style as "participative on the surface but authoritarian underneath."

Staats recalled an experience in the Eisenhower administration about getting others' opinions before acting.

*I remember, for example, when [President Dwight D.] Eisenhower came in at a Cabinet meeting and Secretary of Defense [Charles E.] Wilson was outlining some plans that he was thinking of putting into effect at the Pentagon and Eisenhower said: "Well what do your Joint Chiefs, your service secretaries think about this?" And Wilson hesitated a minute and then said: "At General Motors I got paid to do the thinking." That was his philosophy of management and that has always stuck in my mind. How could this person be so sure that he has the answer unless there had been some flow up from the organization as against imposition from above?*

Certainly his favorite—and possibly overused—approach to effecting change was to create an internal task force to address a problem and propose solutions. He said: "As you know, every major change we put into effect here grew out of some task force, some effort where there has been input from down in the organization." Although task forces brought collective wisdom to bear on problems, they diverted key officials from other tasks. Also, they often did not represent the full range (grade levels) of staff affected by the change and usually did not include persons from outside GAO. Staats often supplemented internal task forces by using consultant panels (see following section) and calling on his

wide range of friends and acquaintances for additional advice.

To get further input, Staats usually sent proposed draft orders and regulations to his division directors for comment. This practice reduced the number of surprises and brought in additional points of view but often took time—which some interpreted as slowness or indecisiveness. Others questioned the clarity and utility of the processes established as a result of the task forces' work. Staats had some thoughts about how his process worked:

*I guess some people would say I have gone too far in not being decisive and firm in dictating changes that needed to be made. But I would rather run the risk on*

*that side than go the other direction where we are making a lot of decisions where people say, "They don't make any sense at all," or "I don't know what the hell he is trying to get at," and tend to walk away from you or stiff-arm you. But you get a trade-off here.*

#### **HOLDING PEOPLE ACCOUNTABLE**

If there was an Achilles heel in the Staats management style, it may have been his reluctance to hold his managers fully accountable for their actions (or lack of action) and to confront the internal challenges to his administration. The reasons why likely included his reluctance to share ultimate responsibility with others and possibly the nature of the man himself.

### **Getting Input For Management Decisions Through Employee Committees**

Responding to a need to provide additional channels for input from young people, President Johnson instructed each Federal department and agency in October 1968 to create a committee through which young trainees and professionals could better participate in their organization's affairs. Responding voluntarily to the President's memorandum, the Comptroller General established a youth advisory committee in February 1969.

That first committee's charter directed it toward informing top management about career staff members' ideas for recruiting, training, and using staff members at their level. Therefore, it focused primarily on activities in GAO's Office of Personnel Management. In 2-day meetings generally held about four times a year, preselected topics were discussed and minutes were taken and forwarded to the Comptroller General. Other than the minutes, however, there were few tangible products, and committee members became increasingly frustrated.

Eventually both the committee itself and the topics were broadened. In 1974 the committee was placed under the Deputy Comptroller General's guidance, and it sought to better serve the needs of both young professionals and GAO. A new charter permitted it to make more comprehensive examinations of problems and recommend substantive solutions. Later the membership was expanded to include all career ladder professional staff regardless of age and length of service, and the committee became the Career Level Council (CLC).

Regular meetings involving representatives of all GAO divisions and offices are now held four times a year, and the Council is a well-established channel between career employees and top management. Through its sub-committees, CLC has taken on many duties, including the burden of commenting on drafts of this history. CLC provided input on numerous issues during fiscal year 1980, such as competitive selection procedures, equal employment opportunity goals, and funding for travel.

Following in the footsteps of CLC, GAO staff at the GS-13 and 14 levels established a Mid-Level Forum in 1980. The idea originated among staffers at the San Francisco regional office who were troubled by problems affecting their work and staff morale. Although establishing the forum was not supported GAO-wide, there was enough interest at the staff level and support by top management to get the group started. The Comptroller General told GAO officials in July 1980: "I, too, see the need for such a forum and whole-heartedly support efforts to organize one."

The Forum's charter said the group would address "not only policy and procedural matters but also other substantive issues, including the technical aspects of the work." Its first major task was to review and respond to the June 1980 division directors' proposal for changing agency operating procedures.

Both CLC and the Mid-Level Forum became intimately involved in developing the division directors' recommendations to the Comptroller General on teams, regional office roles, competitive selection, etc. With the growing recognition by top management that input to developing policy is needed from all levels of the organization, these two bodies can expect to have a full agenda from now on.

Staats believed that most people meant well, and he tried to provide an environment in which willing people could function effectively. He believed that anyone given a job and the resources to do it would do his or her best to carry it out. As demonstrated by the organization's lack of enthusiasm for project management and the problems with implementing the team concept (see ch. 11), this was not always so.

There is no question that Staats understood the need for effective implementation of management decisions. He said: "I welcome a good, legitimate argument, but I also expect that when that argument is over and a decision made, that person is going to carry out the decision as best he can." But what happened when people did not do their best to implement a decision or lacked the skills needed to do their jobs effectively? Staats stated: "What I have tried to do is to deal with it pretty much on a day-to-day basis rather than systematically sitting down at a table with the person involved."

As in other situations, he exercised great patience and tolerance. He said:

*I don't know any of these top people who have not been effective when there has been any rhubarb or strain. I would have to say that the performance is not completely even among the divisions, but I don't know if any situation has gotten to the point where it is a matter of discomfort for either me or the division director.*

What he was saying was that the "worst" director was still good enough, still above the minimum passing grade. In fact, he said: "I really don't feel that anybody here had been trying to sit on his hands or tried to find ways to frustrate the directions or requests that are made."

During his long term of office, Staats had the opportunity to select one or more incumbents for every division and regional office. There were no outright dismissals or demotions. Instead, he used another technique. He waited for an opportunity to move a person or simply persevered until an offending official retired. Staats explained: "Another thing you can do, of course, is to make a judgment on placement of people when vacancies open up. To some degree you are making an assessment then." He continued, "Beyond that, if you feel that a division director is not being responsive, you can work with him, but you do it on a case by case basis when a project comes up."

What effect did Staats' patience and restraint have on the outcomes of his management initiatives? Of course, there is no way to measure this, but the organization's resistance to many of his initiatives showed that at least some believed they could go their own way with impunity. Perhaps the Office fared better because some initiatives fell by the wayside, but certainly progress

was slower toward desired goals and at least some confusion existed about who was running the show.

#### **WHY NOT A GENERAL MANAGER TO IMPLEMENT POLICY DECISIONS?**

If implementation and accountability were not getting adequate attention, why not appoint someone to take on these tasks? GAO's Organization Planning Committee recommended in 1971 that an Assistant to the Comptroller General for Audit Operations be appointed to manage GAO's audit operations and central staff services, but Staats rejected the idea. (See ch. 9.)

When the Office was reorganized in 1972, Staats appointed two Assistant Comptrollers General to share line responsibility for the seven newly created audit divisions and a third to oversee policy, program planning, and internal review. However, the plan did not work for various reasons and was gradually abandoned over the next few years. In April 1980, Staats appointed three Assistant Comptrollers General whose direct management responsibilities varied with their duties—policy and program planning, management services, and program evaluation. These three, plus two division directors, constituted a strengthened Assignment Review Group which exercised some control over individual job authorization, planning, and management. The three Assistant Comptrollers General collectively chaired the Assignment Review Group, the Information Policy Committee, the Budget Committee, the Executive Resources Board, and the Personnel Steering Committee. But the organization chart still showed division directors reporting straight to the Comptroller General—and the directors knew it.

Thus, this discussion of Staats' management style ends where it began—with his sense of personal responsibility for the Office of Comptroller General. This is how he put it to us:

*I think that "the buck stops here" and I also think if something gets off the tracks, then I am not going to put the responsibility on anybody else. I am here. If I wasn't on top of the problem, I should have been on top of it \* \* \* If there is anyone who is going to get criticized, I think the criticism ought to come here.*

#### **The Deputy Comptroller General**

The Deputy Comptroller General's job could be like that of some past Vice Presidents—high visibility and little substance. The law states simply that the Deputy Comptroller General "shall perform such duties as may be assigned to him by the Comptroller General, and during the absence or incapacity of the Comptroller General or during a vacancy in the Office, shall act as Comptroller General."<sup>4</sup>

Relations between the Comptroller General and the number two man were strained during Joseph Campbell's term, when Frank Weitzel was Assistant Comptroller General.\* Weitzel was appointed to his 15-year statutory term the year before Campbell, so the latter had no voice in selecting his principal assistant. Suffice it to say they did not get along, and there was relatively little communication between the two. When Staats assumed office, the atmosphere changed. Weitzel became much more a part of GAO's management team, and he and Staats worked well together until Weitzel's retirement in 1969.

With Staats' support and recommendation, President Richard Nixon nominated another career employee, GAO General Counsel Robert F. Keller, to succeed Weitzel. Quiet, unassuming, and ingrained with a Government lawyer's caution and discretion, Keller added the essential perspective of an insider who knew intimately both GAO and the Congress.

He and Staats never worked out any formal division of responsibilities. Rather, each tackled the jobs for which he was best suited and kept

the other informed. Staats characterized their relationship this way:

*The idea was to establish the same relationship I had when I was Deputy at the Bureau of the Budget and that, namely, was an alter ego approach. In a broad way there were matters which I understood the Deputy Comptroller General would take the initiative on, but at the same time he had my calendar and had an open invitation to come to any meetings that were held. I tried to keep him up to date and he, I think, did the same. So if I were not available, he was not completely green to what the issues were and he could pick something up in the middle of trouble.*

Keller handled congressional relations and all legislation affecting GAO except that important enough to require Staats' personal attention. He took a keen interest in the legal activities of the Office but let the General Counsel run his own shop. He signed all the legal decisions except the one or two a month that needed the agency head's personal imprimatur.

\*The title "Assistant Comptroller General" was changed by law to Deputy Comptroller General in 1971.



**ROBERT F. KELLER ACCEPTS HIS COMMISSION** as Assistant Comptroller General in 1969

Asked in 1979 what the most difficult part of his job was, Bob Keller said:

*The most difficult part of my job is dealing with the Congress and its committees. I like to look at it as a challenge, but it is difficult because there are so many viewpoints in Congress. There are many committee chairmen and subcommittee chairmen, as well as individual members, to deal with. And sometimes it is very difficult to keep GAO in a position where we are helpful but do not become involved in the politics of a particular problem. GAO has an excellent reputation for being fair and objective. Of course there are always some who don't agree with our conclusions, but for the most part this results from differing political philosophies among the members.<sup>5</sup>*

Perhaps equally important, Keller also served as a sounding board for GAO managers needing good advice or guidance, and especially in the later years of the 1966-81 term, he acted as an arbiter in settling internal management issues. With GAO for 40 years, he was regarded by some veteran staffers as "Mr. GAO." Keller told us: "I tried to make myself available to anyone with problems in GAO and resolve them, to take as much of the burden as possible off of Mr. Staats." These ranged from division budget matters to equal employment opportunity issues. Because he was a good listener, an excellent judge of character, and very supportive in getting staff through tough situations, he helped get things done in GAO and kept Staats' calendar open for matters that particularly needed his attention.

Little went on at the Office that Keller did not have his hand in. He reviewed nearly every audit report and most correspondence prepared for the Comptroller General's signature. He shared his judgment with Staats on the likely reactions to GAO's recommendations on the Hill and elsewhere. He also chaired important projects like the reorganization task force in 1971. His sense of the importance of timing in getting things done stood him in good stead. As he noted, "15 years ago if you came up with an idea that you needed an economist at GAO, people probably would have looked at you like you were crazy."

Totally loyal to his agency and his boss, Keller courageously overcame severe personal health problems and, ultimately, a physical handicap that confined him to a wheelchair. He remained on station for all but the last year of the 1966-81 term. Asked about his tenure as Deputy Comptroller General, Keller replied that he was very satisfied with the job he had been given and his relationship with the Comptroller General. Proud of GAO, both as a place to work and as

an American institution, Keller was quoted by the GAO Watchdog on his retirement as saying:

*I've told many, many people that as an institution, GAO is tops. I think the people here are a great group to work with. We have our differences, but it's up to us to keep working them out. I think GAO is very important to government itself and to the public. We've come quite far, particularly under Mr. Staats' tenure, and now we've got to keep going and keep it up. It's going to take a lot of dedication from a lot of people.<sup>6</sup>*

## **Consultants Panels**

GAO had long used various sources of outside advice and counsel, and the agency extended this practice during the 1966-81 period. As discussed elsewhere, the Office began using individual consultants extensively in the late 1960's, especially for help in doing its more complex work, such as the antipoverty program review. (See ch. 3.) Added to this cadre of expertise were two panels established to work directly with the Comptroller General and GAO's top management—the Comptroller General's Consultant Panel and the Educator Consultant Panel. Both panels were useful sources of outside advice and support for many of the Office's initiatives, regarding both its work and its organization and staffing.

### **COMPTROLLER GENERAL'S CONSULTANT PANEL**

In July 1966, barely 4 months into his term, Staats and other senior management officials met to discuss the future work of the Accounting and Auditing Policy Staff, the group led by Ellsworth Morse that developed and maintained GAO's policies and basic operating methods. They agreed to form a panel of outside consultants that could, from time to time, discuss problem areas with GAO's senior management.

The panel was to include representatives of Government, the accounting profession, private industry, and higher education. Nearly everyone invited to serve accepted. The first 2-day meeting, held in December, covered such subjects as:

- The increased workload in transportation audits caused by the escalating war in Vietnam.
- GAO's interest in the Government's policy on procuring goods and services from private industry versus providing them in-house.
- A joint Budget-Treasury-GAO project to provide more detailed information on Federal outlays by geographic area.

These subjects were important to various Government operations and were on GAO's agenda. Both GAO and the consultants found the meetings to be useful, and they continued on a twice-yearly schedule throughout Staats' tenure. By the end of the term, the panel membership had expanded to 29 and the range of issues had broadened to include such items as (1) possible enactment of a value-added tax (with discussion led by the Chairman of the House Ways and Means Committee) and (2) issues related to U.S. technological innovation. The panel thus provided a source of expertise on many subjects for possible consideration in GAO's audit work and a sounding board for new ideas on how this work might be done.

#### **EDUCATOR CONSULTANT PANEL**

The Educator Consultant Panel was formed in 1955 to obtain support from professional accounting and academic groups for GAO's conversion to a professional-accountant-based organization. The panel assisted materially in developing the audit staff, first by recommending that GAO employ a skilled academician to design and manage a staff acquisition and development program and then by helping GAO promote a wider understanding of its work in the academic community. The panel also served as a link to the campuses that aided in recruiting a qualified professional staff.

In 1966, the panel consisted of nine members drawn from traditional academic accounting backgrounds and it played a less active role in GAO affairs than when first formed. In 1970

Ellsworth Morse, then Director, Office of Policy and Special Studies, reassessed the panel's activities, suggested that its membership be broadened, and recommended that its agenda be widened to cover the broader based program effectiveness focus then in the forefront of GAO's activities. New members appointed in the 1970's included public administrators, health care professionals, scientists, and psychologists. In 1980, the panel had four official functions:

- To act as a liaison between the academic community and GAO.
- To provide advice on specific subject areas.
- To serve as an official nongovernmental sounding board for GAO work.
- To serve as a source of "resource persons" for GAO staff and the Comptroller General.<sup>7</sup>

The panel's 2-day meetings, which follow a format not unlike that of the Comptroller General's Consultant Panel, are attuned more to internal management issues, such as matching research needs and researchers and GAO's communications strategy. Recently, the panel helped GAO to establish a doctoral research program and to examine the adequacy of the Office's research methodologies. (See ch. 11.)

Besides providing outside advice at periodic meetings, both of the panels serve as outlets to communities from which their members are drawn and as sources of expertise to meet other needs. Their continued utility will depend on top management's support in restocking the panels with high-quality members as vacancies occur,



**EDUCATOR CONSULTANT PANEL**, meeting with GAO officials in 1967

and in devoting the time and attention to interact with the panels and benefit from their advice.

## GAO's Divisions And Offices

Although GAO's divisions and offices changed in scope and composition during the 1966-81 term, they retained (with a few notable exceptions) many of the traits of their predecessors. As noted in other chapters, GAO's divisions in 1980 were more functionalized and there was greater emphasis on planning. Personnel and administrative functions also were more decentralized. However, the management hierarchy, the organizational climate, and the management processes existing in 1966 largely endured. To improve the climate for making and carrying out decisions, some techniques, such as organizational development, were instituted. But the process of change within divisions has depended largely on the personalities and goals of the persons occupying key positions.

### THE GROWTH IN BUREAUCRACY

In his book on GAO, Mosher described GAO as "essentially an administrative organization \* \* \* [that] probably approaches the Weberian model of a bureaucracy as closely as most other administrative agencies."<sup>8</sup>

What was this Weberian model? According to one source, Max Weber's definition of "bureaucracy" included (1) a division of labor in which each job is clearly defined and filled by a technically qualified person, (2) a well-established hierarchy having clear lines of authority and appropriate staffs and salaries for those at each level, and (3) a systematic set of aims and regulations so that actions can be impersonal and coordinated.<sup>9</sup>

In many respects, GAO met all these criteria. Organization charts and operating manuals of GAO divisions showed a carefully defined division of duties among the various grade levels and clear departmental and subject-area jurisdictions. The duties varied somewhat from division to division, but in nearly all cases they were carefully spelled out. Great care was taken to ensure, insofar as possible, that a qualified person filled each slot. Staff positions and salaries were, of course, defined both formally and informally.

GAO also had a well-established hierarchy. Most divisions provided several layers of supervision and review between the auditors and the division director. Some divisions also had staff positions, such as issue area planning director, resource manager, legislative and special projects coordinator, and program and report reviewer. In addition, the region office management structure included staff assistants, assistant regional managers, and regional managers.

The several levels of supervision and review were justified, at least in some cases, to ensure that GAO's output met high standards for ac-

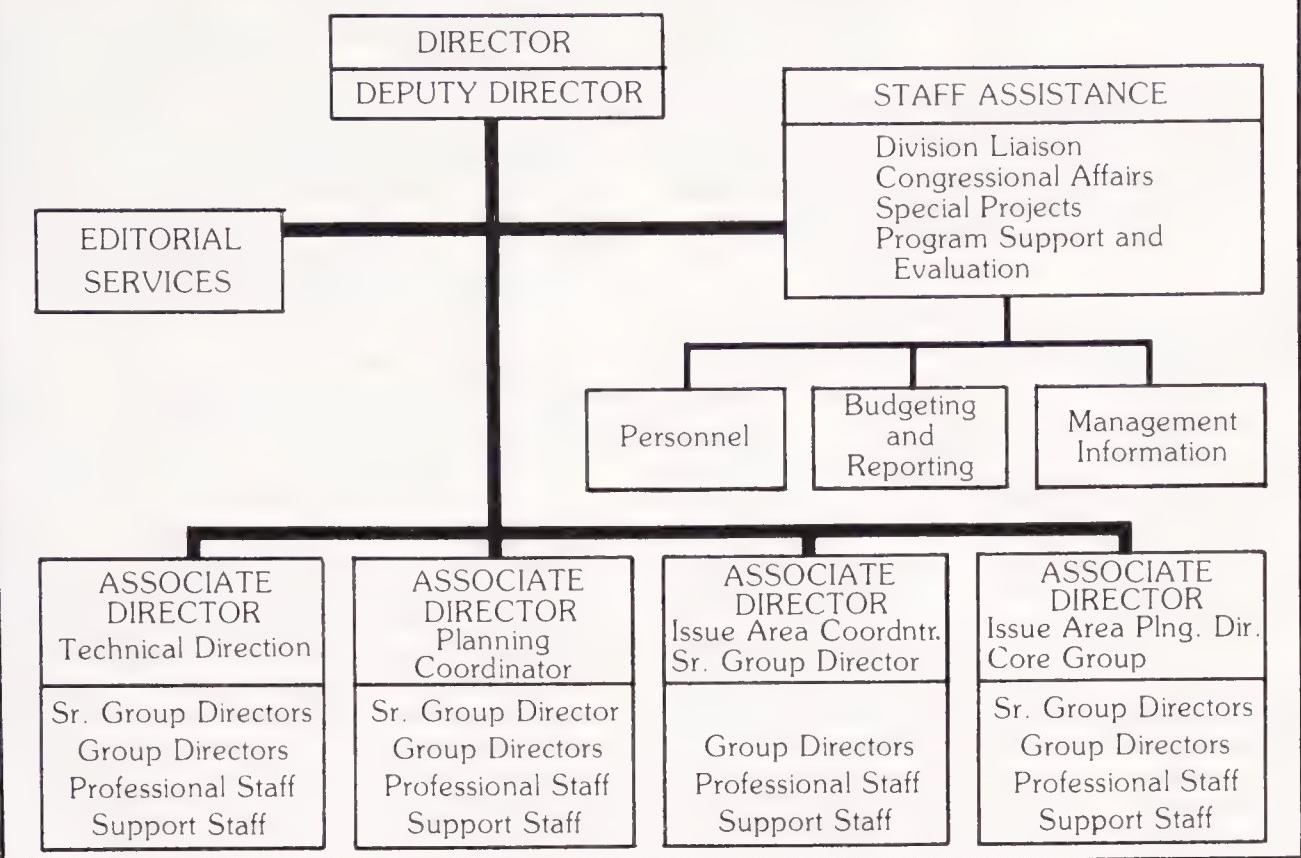
curacy, objectivity, and fairness—attributes of great importance to the Office. At the same time, the pyramidal structure was less flexible and adaptable than many judged desirable. Developments outside the agency, expansion in staff, and the larger number of functions the agency performed brought with them more sophisticated control systems and procedures. The growth of such systems, combined with organizational layering, sometimes constrained individual initiative, diversity, innovativeness, and—perhaps most importantly—a willingness to take the risks necessary to progress.

Personal management styles also affected the way GAO did its work. The Civil Division, headed by A. T. Samuelson when Staats entered office, was quite different from the Defense Division directed by William E. Newman. Samuelson, for example, stressed finding good people and allowing them to take the initiative in planning and executing the work. He relied on a decentralized audit staff to make the contribution the Comptroller General expected of him. Newman also wanted good people, but he stressed a more centralized, production-minded organization under his strong personal control. Ten years later, Gregory Ahart's Human Resources Division, characterized by peer reviews, many audit sites, and a thorough approach to reviewing programs, contrasted in many ways with Monte Canfield's Energy and Minerals Division, whose staff was split between headquarters and audit sites and whose work focused extensively on energy planning and policy issues, including proposed draft legislation.

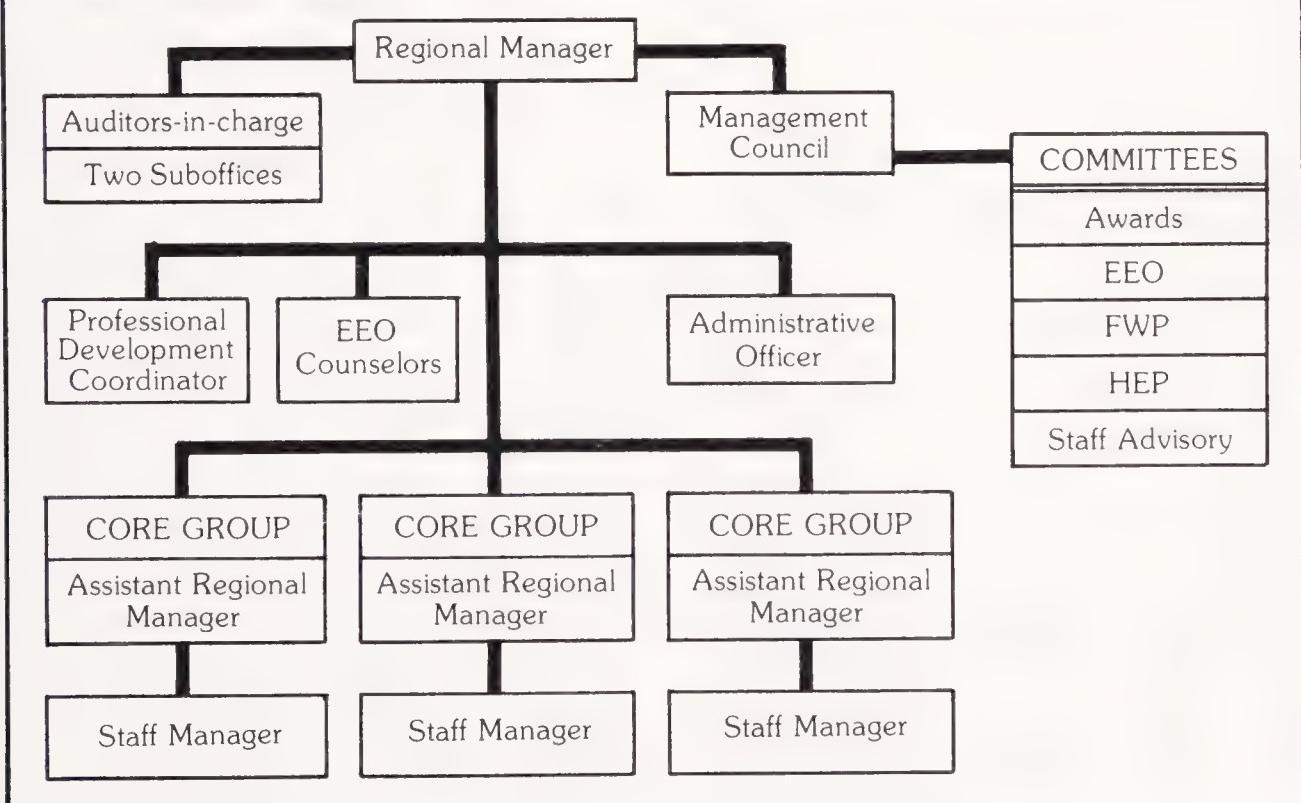
Management on the division level could be very complicated. Most division directors were chosen on the basis of many years' experience in GAO and a strong background in the assigned subject areas. Some knew more about spotting weaknesses in other agencies' management than the requirements of managing organizations of their own. Coupled with this was GAO's tendency to introduce new systems and procedures to correct problems or extend GAO's capabilities; for example, the planning process, competitive selection, a structured equal employment opportunity program, and a job scheduling and staffing system. There was also a tendency to assign difficult management functions to committees, rather than to specific individuals; for example, the Budget Committee, the Program Planning Committee, and the Assignment Review Group. Getting things done often required working through a bureaucratic maze.

The organization nevertheless owed many of its strengths to its bureaucracy and the people who ran it. The work usually got done when it was needed, and the products—if not of uniformly high quality—were rarely inferior and almost always thorough and credible. The system's very stability provided great continuity and an extensive corporate memory. There was a

**Figure 7-1**  
**Sample Headquarters Division Organization Chart**



**Figure 7-2**  
**Sample Regional Office Basic Organizational Structure**



certain esprit de corps in many divisions and offices, and the people took pride in their accomplishments.

Coping with bureaucratic tendencies in government is a centuries-old worldwide problem for which there are no easy answers. What matters to GAO is that its administrative processes and structures be continuously monitored to minimize their interference with getting the work done and to ensure that they continue to serve a purpose sufficiently useful to merit their retention.

### **GAO ADOPTS ORGANIZATIONAL DEVELOPMENT AND PARTICIPATIVE MANAGEMENT**

The decade of the 1970's saw the increasing development and acceptance of a new branch of behavioral science—organizational development. Its general goal was to improve an organization's productivity and quality of worklife by helping work groups and organizational units at all levels to identify and resolve issues hindering effectiveness.

GAO took early advantage of this development when, in January 1972, it contracted with Sterling Institute to evaluate the management practices and organizational climate at headquarters and the field offices. Following a 6-month survey of five management groups, the Institute found that management practices in the groups varied and resulted in "different organizational climates and performance." In its July 1972 report, the Institute recommended an ambitious followup program that included (1) more systematic analysis to identify opportunities for reducing unnecessary conformity and (2) development of a program to help managers delegate more responsibility.<sup>10</sup> The report was not enthusiastically received, however, and no further work was scheduled.

### **GAO's Organizational Development Effort Gets Underway**

The lack of enthusiasm for this initial work did not lessen management's awareness, especially among such officials as Clerio Pin and Tom Morris, of the need to improve GAO's work climate. In 1973 Pin's Office of Administrative Planning and Services (OAPS) quietly launched a small project to develop a supervisory training course for its own staff. Two GAO employees were assigned to develop and present the course, and OAPS also hired Larry W. Hillman, an organizational development expert.

Starting with the Management Services Branch in OAPS, and with the cooperation of the Office of Personnel, a program began that was eventually to touch most GAO operating divisions and many of its regional offices. The first training activities consisted of informal interaction among small groups who worked together to solve prob-

lems associated with their work. Often, it was the first time they had interacted this way. As Hillman explained it:

*In very fundamental terms, I'm taking an issue and resolving it, developing a cooperative relationship among the participants as they resolve those issues, relationships that were not centered around "What's wrong with him or what's wrong with me," but centered around a task, a job to get done, a goal for that organization or primary work group.*

As management became aware that this process was having a positive impact on resolving organizational issues, GAO contacted Rensis Likert, a noted theoretician in management and group behavior, to determine if there were ways of broadening the process's application. It was agreed that Rensis Likert Associates, Inc., would make a pilot survey in the International Division and then develop an action program. The survey, which took place in the spring of 1974, found "considerable opportunity for improvement in organizational climate and style of managerial leadership."

In August 1974, GAO entered into a formal contract with Likert Associates to undertake an organizational improvement program consisting of

- a survey, using a questionnaire, of the International Division staff to identify specific areas where managers would improve their leadership styles;
- a 2-day management training session for the top management group; and
- "survey feedback consultation," including consultation with each supervisor and his or her immediate work group and "executive coaching" for those who wanted it.

The program's goals were to reduce harmful competition within and between operating groups, increase the work groups' effectiveness and performance, increase employee satisfaction, and reduce turnover of highly rated personnel. Another goal was to develop an internal staff to extend the program into other parts of GAO.

This was the first highly visible large-scale organizational development effort in GAO. Although there were some reservations among the participating staff, the program was completed pretty much as planned. At the end of 1 year, Likert Associates resurveyed the division personnel to determine if organizational change had occurred. In November 1975, the division reported that "moderate, and statistically significant change had occurred. \* \* \*"

Opinions differed about the benefits of the program. The International Division reported

officially that: "It is difficult to assess the impact of this program on ID productivity at this time due to the lack of productivity and performance measurement data."<sup>11</sup> Nevertheless, there was a perception that changes had occurred to create the type of climate that would improve productivity.

The next step was to prepare an organizational development model—a blueprint for conducting these activities in other GAO units. By then, GAO had its own small organizational development staff whose capabilities were growing. The model, drafted by Dr. Hillman, and further developed by GAO's internal staff, provided the structure for their growing in-house activities which continued through the end of the Staats term.

In March 1976, GAO contracted with Likert Associates for its last major effort—an organizational development program in the Community and Economic Development Division (CED). CED's management and staff were very receptive and therefore created a climate for making significant progress. As the program progressed, the division began holding more frequent meetings at all levels to convey more information and involve more of the staff in the decisionmaking process. Minutes of weekly meetings between the division director and his operating group directors began circulating to all CED staff and served as an important communication link.

Perhaps most significantly, CED established six in-house task forces to address problems that surfaced in staff discussions. The task forces, which represented several grade levels and audit sites, dealt with such subjects as productivity and performance measurement, Washington-field

relations, and report processing. They would investigate a problem, develop and agree on proposed solutions, and prepare a written report to the CED director. As with GAO's external reports, management reviewed and commented on the draft, and their response to the task force's recommendations was incorporated in the final report. More importantly, CED management acted on the recommendations and helped to establish a process that enabled staff at all levels to participate in addressing management problems and effecting change in organizational policy and procedures.

The CED project continued for about 2 years. Near the close of that period, CED's director reported:

*There is a consensus that CED has benefited from the [Likert] effort. Not only has top management become more aware of staff concerns, but we feel we have been able to solve a number of problems and alleviate concerns. There is a much greater openness on the part of staffs in discussions with their supervisors.<sup>12</sup>*

### **Division Directors' Problem Solving—Participative Management Reaches The Top Levels**

As GAO's work became more complex and its relationships with the Congress grew, it became more apparent that top management needed to approach issues confronting the agency in a more collective fashion. GAO needed better communications, sometimes bridging different professional disciplines, and an atmosphere where creativity and the free exchange of ideas could flourish.

## **Problem Solving**

The three components of an effective decision are: timeliness, acceptance by those who will implement it, and the quality of the decision itself. According to the theory, if satisfaction is the product of involvement, and quality the product of wisdom, the use of a group method of decisionmaking is likely to assure an effective decision.

Formal problem solving is a group method for resolving conflict and improving decisionmaking in organizations. It assumes that there is an agreement on organizational goals. It further assumes that there is an agreement on the problem and that it needs to be solved. The generation of alternatives that will attain the goal and minimize conflict is the focus of the problem solving. Elements of the method involve:

- The location and clear statement of the problem.
- The definition of the conditions or criteria which a solution must meet to be satisfactory.
- Search for and statement of reasonably promising solutions.
- The collection of all facts relevant to the proposed solutions.
- The evaluation of all suggested solutions and the examination of them in terms of the criteria or conditions which a solution must meet (essentials) and also those which are considered desirable (desirables).
- The selection of the solution which best meets the criteria.
- The evaluation of the solution finally selected to see if it really solves the problem and does not produce adverse side effects.

However, internal issues and old habits blocked communication. Managers preoccupied with delivering the product, exercising control, and meeting others' demands were unaccustomed to communicating freely with each other. In addition, a growing distance had developed between the policy directives of the Comptroller General and his top staff and the line managers of the operating units. After GAO's 1972 reorganization, turf problems between the divisions increased and jurisdictional lines were sometimes unclear. The division directors began meeting informally once a month to exchange information and discuss problems of mutual interest. But GAO still had no effective forum for exchanging ideas, bringing divergent views into focus, and resolving conflicts.

Sometime in 1975, someone suggested that the directors spend 2 days at a location away from headquarters to "thrash some things out." A tentative agenda was drawn up, but after some rethinking, the proposed meeting was restructured to bring in the Comptroller General and other top officials. The meeting provided an opportunity for an exchange of views on many subjects, but its formality and the prevailing lack of trust posed barriers to real communication.

Following this meeting, there were further discussions of how to encourage greater dialog. Shortly thereafter, it was decided that GAO's top management should increase their direct involvement in organizational development activities by applying problem-solving techniques to issues having GAO-wide significance. The goal was to increase cooperation between the division directors and encourage innovative approaches to solving problems.

In July 1976, a division directors' meeting was convened to try out the new approach. The initial effort focused on the general subject of support from the staff offices which Clerio Pin managed.<sup>13</sup>

Although the division directors and Comptroller General Staats had met many times previously, using many different forums, this was the first opportunity to freely present and discuss problems with a given segment of GAO operations. Likert Associates' president led the discussion, and Drs. Likert and Hillman participated. But the meeting accomplished little to focus the problems or propose workable solutions. Hillman put it another way:

*It was a catastrophe! Clerio said, "Let's talk about what's wrong and what your problems with me might be." Well, they said, "Since you brought that up \* \* \*" And so they just took a great big stick and beat up on Clerio.*

Pin received only a verbal bludgeoning, but the result was not what the sponsors were looking for. In discussions that followed the meeting,

it was agreed that the next problem to be addressed should be well thought out in advance. The division directors agreed that the next issue for discussion would be a less complex internal management issue—how refreshments following division awards ceremonies could be financed. The division directors had been barred from using money in GAO's operating budget to cover these costs and they paid for them out of their own pockets. This issue became known fondly as the "punch and cookies" issue. The thought was that the group should learn to walk before it could run.

The exercise was a success. At a preliminary session, the directors appointed a task force to define the problem, gather information, and propose alternative solutions. Then the directors met with Staats, agreed on a solution, and solved the problem! The fact that they were dealing with "punch and cookies" was only incidental to the larger event; the division directors had been able to work together, using problem-solving techniques, to resolve a problem of common interest. Hillman characterized it as "one small step for this group but a big leap for GAO."

With this first success under its belt, the group tackled somewhat more substantive issues. Staats actively participated in these meetings as chairman, and Hillman assumed the role of facilitator. Hillman's job was to lead the group through the problem-solving process, make sure that each participant's views were heard, and help the group arrive at a consensus on the solution.

Then in April 1977, after having been in existence for only 9 months, the group took on a problem of far larger scope than any previously addressed—why GAO had trouble responding to congressional requests in time for the information to be useful. Thus, the process was started that led to use of the team concept, a basic restructuring of the way GAO did its work. (See ch. 11.) At the time, Hillman and Likert both cautioned the group about its readiness to deal with such a substantial issue, suggesting instead that it identify and resolve issues of lesser magnitude and thereby develop the skills needed to take on broader issues. The group went ahead, nevertheless.

Following some preliminary discussions, the directors' group, including Staats and other top management officials, met for 2 days in June 1977 at Easton, Md. There the problem was redefined: "The processes, procedures, and approaches currently used by GAO in doing its work take too long and cost too much."<sup>14</sup> The group defined the essential conditions for the solution, proposed alternate solutions in five key categories (job planning, execution, review, agency comments, and other), and appointed a task force to develop a final plan. (See ch. 11.)

Some thought that tackling the timeliness and cost issues was too big a leap at this stage of the

problem-solving process. As one of the participants put it:

*GAO was ready to tackle the timeliness issue but the process got in the way. We got too wrapped up in defining essential conditions and not enough involved in getting feedback from the people who would have to live with the change.*

With the timeliness and cost issues in the hands of a task force, the directors' group returned to more mundane problems. Although the participants were encouraged by the progress they were making in resolving problems, they found the process of reaching consensus took a lot of their time. Of course, the one most pressed for time was the Comptroller General, and he gradually stopped attending many of the sessions. As he did, the key task of group chairman went by default to Hillman.

Although, in the following months, other senior management officials started playing more active roles in the discussions, the group began to experience problems. Some members became increasingly uncomfortable with the vagueness of the group's mission and with the process itself, especially the requirement that a consensus be achieved on each problem resolution. Finally, in February 1980, the process collapsed. In some of the directors' judgment, the process was not worth continuing unless the group could become more self-directing and more focused on issues. Not all of the participants agreed, however. One said:

*None of them offered me, and to my knowledge any of the other division directors, a reason why they stopped participating. As far as I am concerned they should not have withdrawn from the meetings. Instead, they should have taken the initiative and tried to get the meetings focused the way they needed to be focused to solve our problems. It also demonstrated very clearly to me that the directors needed cohesive leadership and a willingness to put forth the necessary effort and attention to resolve the problems.*

Shortly thereafter, the division directors met and proposed a new method of operation. They drafted a charter, developed an agenda, appointed a temporary chairman (Gregory Ahart), and discussed their proposal with top management officials and Hillman. Ahart and others then met with Staats and obtained his approval of the charter. The group was to discuss matters of common concern, study ways to deal with or solve policy or operating problems, communicate the results to the Comptroller General to help him reach decisions on these problems, and

monitor implementation to see that problems were dealt with promptly and effectively.<sup>15</sup>

It was agreed that, although the group had decided against using an outside facilitator, it would call for such assistance whenever needed. The group also decided that the chairmanship would rotate among them in alphabetical order, each serving a 6-month period, with Ahart thus becoming the first chairman.

The group's first few months under its new charter were some of the most eventful in its existence. Just as it was getting started, major management problems surfaced in implementing the team concept. They were first brought to Staats' attention by the regional managers because of the impact teams was having on the regional offices. (See ch. 14.) In May 1980, the Comptroller General sent the division directors a list of 25 questions and issues, as well as a number of suggested solutions, and requested that the directors' group present its recommendations for action 4 weeks later. Following an intense series of discussions, the group developed tentative recommendations that touched on almost every aspect of GAO's operations—the role of the regional offices, the project team approach, program planning and the development of subject matter knowledge, job scheduling and staffing, and the competitive selection process and performance evaluation. The only options not considered were major changes in organization.<sup>16</sup>

Staats approved the directors' recommendations and requested that they prepare implementation documents by August 15. In a key departure from the strategy pursued in developing the team concept, Staats also requested that the group "solicit and consider the views of a broad spectrum of organizational components and strata in developing the [requested] documents. \* \* \*"

After receiving comments, the directors met in subgroups and then drafted an overall set of recommendations which were presented to the Comptroller General in a September 1980 memorandum. The most telling statement in the memo was that the directors could not reach agreement on a single method of operation for all divisions. Not having been able to develop a common plan, they agreed to disagree. As the memo explained:

*Each Director feels strongly about how they should carry out their responsibilities. While there are many similarities in the way each operates or wants to operate there is enough difference that adherence to a single method of operating would require each Director to operate differently than they feel is best to accomplish their mission. We also realized that it would not be necessary to operate under a single method*

*to either resolve the problems or accomplish our mission.<sup>17</sup>*

The directors asked that the focus of GAO's operations change from a process to a results orientation and recommended that each division adhere to a set of "basic management philosophies" in accomplishing its mission. Each division was to develop a plan to operate under the philosophies outlined. The team concept was to be discontinued as the way GAO did its work, and each future job was to have its own agreed-upon management structure. Although implementing documents legitimizing the Field Operations Division's role were postponed pending resolution of other issues, the directors recommended specific actions on regional participation in program planning and changes in job scheduling. They said the other matters affecting personnel required further study and action by other groups.

In a memo issued 3 days later, Staats communicated modifications to GAO's operating procedures that generally endorsed the directors' recommendations. In the process, he recognized the group's "significant contribution" but dissolved it as a formally organized entity.<sup>18</sup> He later explained his rather terse announcement this way:

*This may have been a useful effort to break down the walls limiting communication, but the basic idea of trying to get the division directors—all of them—to agree on these things ran rather counter to what they said in the first part of their document. Each was to come up with their own plan, and we are to look at it to see whether it is realistic in this organization. A second, related matter was that it ate up an awful amount of time on the part of the division directors.*

*I just felt that something more flexible would be better. If any of them feel that*

*they need a meeting, I said I or one of the Assistant Comptrollers General would be glad to meet with them. But to structure periodic meetings having a formal agenda, formal minutes—I just didn't think that was the right way to go.*

So the directors' group ended, but the problem solving techniques remained on call for use as needed by top management.

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  2. Peter F. Drucker. *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1973). p. 616
  3. Comptroller General Staats. "Federal Spending Controls: The Role of the General Accounting Office." speech of 24 Sept. 1968, pp. 20-21
  4. 31 U.S.C. 42, sec. 302 (1921). Budget and Accounting Act
  5. Cindy Ryan, "An Interview with the Man Behind the Scenes." *The GAO Review*. (Summer 1979), p. 35
  6. "Keiller Era Ends at GAO." *The GAO Watchdog*, Mar. 1980, p. 5
  7. U.S. General Accounting Office. "The Educator Advisory Committee of the U.S. General Accounting Office." unpublished paper, pp. 5-6
  8. Frederick C. Mosher, *The GAO: The Quest for Accountability in American Government* (Boulder, Colo. Westview Press, 1979), p. 343.
  9. William H. Newman and E. Kirby Warren, *The Process of Management Concepts, Behavior, and Practice* (Englewood Cliffs, N.J.: Prentice Hall, 1977), p. 3.
  10. Sterling Institute, "Final Report to the General Accounting Office, Contract No. GA-789" (July 24, 1972), p. I. 2.
  11. Director, International Division. Memorandum to all division personnel, 19 Dec. 1975, p. 4.
  12. Director, Community and Economic Development Division. Memorandum to Director, Management Services, 10 Apr. 1978, p. 1
  13. Comptroller General Staats. Memorandum to division directors, 15 July 1976
  14. Executive Secretary, Director's Conference. Memorandum to conference attendees, 20 June 1977, attachment 2
  15. Director, Human Resources Division. Memorandum to division directors, 11 Apr. 1980, attachment.
  16. Chairman, Division Director's Group. Memorandum to Comptroller General, 2 June 1980.
  17. Chairman, Division Director's Group. Memorandum to Comptroller General, 9 Sept. 1980
  18. Comptroller General Staats. Memorandum to all GAO professional staff, 12 Sept. 1980, p. 2.



# Chapter 8

## The Legislative Charter

"What are we in business for?" This is a question countless corporate executives and stockholders ask when considering new investments and reviewing corporate budgets. The question is just as relevant to a Government agency and therefore to the General Accounting Office.

To discover what GAO's "business" is, one must look at its legislative charter, the basic laws that authorize the agency's activities. For GAO, these laws include the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. During the 1966-81 period, these laws were supplemented by the Legislative Reorganization Act of 1970, the Congressional Budget and Impoundment Control Act of 1974, and the General Accounting Office Acts of 1974 and 1980. This is the basic body of laws that guides GAO's course.

This chapter summarizes how the Congress, with GAO's help, modernized and strengthened GAO's legislative charter during the period. It highlights briefly how GAO influenced the most important of these laws and provides examples of how the Office was given special assignments the Congress believed only GAO could perform effectively. Oddly, this charter-strengthening task is one of the least reported events in GAO's day-to-day activities. Except for general legislation, such as the Congressional Budget and Impoundment Control Act, bills affecting GAO rarely get much coverage in the general press or even in GAO's own publications. The discussion here is designed to shed some light on the significance that this task holds for the health and well-being of the agency.

### The Legislative Reorganization Act Of 1970

Excluding the legislation sponsored by GAO itself, the Legislative Reorganization Act of 1970 was one of the two or three most important laws affecting GAO that the Congress enacted during the past 15 years. The Office's involvement in drafting this law was crucial to GAO's future. Chapter 2 described how the act placed new requirements on GAO to assist in improving the flow of information to the Congress. The other significant feature of the act was contained in section 204 (a), which reads:

*The Comptroller General shall review and analyze the results of Government programs and activities carried on under existing law, including the making of cost benefit studies, when ordered by either House of Congress, or upon his own initiative, or*

*when requested by any committee of the House of Representatives or the Senate, or any joint committee of the two Houses, having jurisdiction over such programs and activities.<sup>1</sup>*

When this legislation was being considered in the late 1960's, GAO was already gaining experience and expertise in reviewing the results of existing Federal programs. (See, for example, the discussion of the Prouty amendment studies in ch. 3.) Indeed, although GAO supported this provision, it maintained both before and after the act became law that this language provided no new authority and that the Office could already do such work under existing statute. Apart from being a reaffirmation of congressional intent that GAO review program effectiveness, the significance of section 204 lies in its origins.

As mentioned in chapter 2, the act was 5 years in the making. Following the final report of the Joint Committee on the Organization of the Congress in 1966, legislation was introduced to carry out the Committee's 120 recommendations for congressional reorganization and reform in such areas as the committee system, fiscal controls, congressional staffing, ethics, housekeeping, and lobbying regulation. In 1967, by a 75-to-9 vote, the Senate passed a reform bill which focused on improving the information sources available to the Congress. GAO, for example, was to develop—jointly with the Treasury Department and the then Bureau of the Budget—a standardized information and data processing system. GAO followed these proceedings closely and worked with Senate staffers to perfect language affecting the Office.

The Senate bill contained no language requiring GAO to make program results reviews; it would have required only that GAO employ experts in analyzing and conducting cost effectiveness studies of Government programs. The bill also would have increased committee staff and created a separate Legislative Research Service in the Library of Congress, in part to assist committees and members in analyzing legislative proposals.<sup>2</sup>

The House of Representatives took no action on the bill, so it died at the end of the 91st Congress. However, strong interest continued in reforming and modernizing the Congress, and similar legislation was introduced in both Houses in early 1969. Responding to pressure for action on this legislation, the House Rules Committee appointed a special subcommittee in April 1969 to consider the many reorganization bills and make its own recommendations.

This subcommittee, chaired by Congressman B. F. Sisk of California, did not follow the usual procedure of holding hearings and then redrafting a bill. A massive record had already been developed by the Senate and by the former Joint Committee on Congressional Organization. Instead, the subcommittee met in closed session to compare similar provisions in the bills that had been introduced, study their intent, and develop its own bill.<sup>3</sup> This bill eventually became the foundation of the legislation enacted into law.

Although GAO had followed these activities closely, it had no way of knowing what the special subcommittee's bill would contain until its chairman gave the House a public progress report in August 1969. Even that report gave little detail on the bill because the subcommittee's work was not yet completed. GAO's legislative liaison office contacted one of Sisk's staff aides for further information, and the Comptroller General wrote personally to the Chairman requesting a meeting to discuss GAO's future and how it could provide more assistance to the Congress.<sup>4</sup>

Eight weeks later, Staats met with Sisk and two other Congressmen to discuss the section of the subcommittee's preliminary draft that pertained to GAO. During the meeting, the Comptroller General was asked for his reaction to language establishing a Congressional Research Service (CRS) that would report to a proposed Joint Committee on the Library and Congressional Research. Among other things, CRS would have been authorized, when requested by a congressional committee, to analyze programs being carried out under existing law. Further, CRS would have had authority to request Federal agencies to supply relevant "books, records, correspondence, memorandum [sic], papers, and documents," and the agencies would have been required to comply.<sup>5</sup> Staats pointed out that this language would give CRS authority similar to that already vested in GAO and that CRS analyses of existing Federal programs would substantially duplicate GAO's work. Chairman Sisk was receptive to these assertions.

Following the meeting, GAO staff reviewed the language more carefully and, at Sisk's suggestion, developed more detailed comments and suggestions on redrafting the language to avoid this duplication. A week after the meeting, in an October 20, 1969, letter Staats provided GAO's suggestions to the Chairman. The letter detailed GAO's efforts to increase its capability to assist the Congress and noted that GAO already had authority to review existing Government programs. Staats also emphasized that GAO had no objection to most responsibilities proposed for

CRS to assist committees on proposed legislation and other legislative duties, but he suggested that the provisions duplicating GAO's work be dropped from the CRS charter.<sup>6</sup> Except for minor revisions, the draft language provided by GAO became section 204 of the Legislative Reorganization Act.

Without the exchange that occurred, CRS likely would have ended up with a statutory responsibility to review existing Federal programs. This would have created a confusing and uncomfortable situation for the Congress, the two support agencies (GAO and CRS), and the Federal agencies being reviewed. Also, the act would not have contained any language providing for GAO program reviews, only the language requiring GAO to have experts in cost-benefit analysis. As it turned out, the House Rules Committee, in its report on the legislation, provided a clear and workable distinction between the basic responsibilities of the two agencies.

*It is the intent of the bill that the principle supplementary staff for assistance to committees in their analysis of existing agencies and activities shall be supplied by the General Accounting Office. But the complexity of committee responsibilities requires another supplementary staff to provide massive aid in policy analysis. For this purpose we propose that Congress expand the functions and facilities of the Legislative Reference Service in the Library of Congress.<sup>7</sup>*

## **GAO Interests Encompass A Larger Sphere As The Congress Shaped A New Budget Process**

GAO's involvement in the Legislative Reorganization Act focused on provisions directly affecting the Office. Two years later, as the Congress responded to a growing awareness that the Federal budget, in total, was out of its control, the Comptroller General became involved in the larger questions of how to establish a new budget process and how it would work. Because GAO's charter makes the Office a key actor in financial management, its future would be greatly affected by budget reform legislation. Therefore, during the 18 months (January 1973 to July 1974) that budget reform was actively being considered in the Congress, GAO was called on repeatedly for advice.

Signed into law on July 12, 1974, the Congressional Budget and Impoundment Control Act made several changes. First, it estab-

lished a new process, overlaying existing authorization and appropriations procedures, for setting annual ceilings on total revenues and spending and the appropriate level of surplus or deficit. It created Budget Committees in each House and an independent Congressional Budget Office. It changed the fiscal year to begin on October 1 instead of July 1. Closer to home, it modified the structure for providing the Congress with program and budget information and strengthened GAO's program evaluation mandate, both subjects which had been covered in the Legislative Reorganization Act. Finally, it tightened congressional control of impoundments through such means as reporting and enforcement by GAO.<sup>8</sup>

Staats testified on this legislation several times before four committees. His first, and perhaps most important, testimony occurred in March 1973 before the Joint Study Committee on Budget Control. The Committee had been established 4 months earlier to find ways of dealing with the "disturbing fiscal situation facing the nation." In a February 1973 interim report, the Committee concluded that "the legislative process should include an opportunity for the Congress to examine the budget from an overall point of view, together with a congressional system for deciding priorities," and it prescribed a set of general principles to establish the process.<sup>9</sup>

In his testimony before this Committee, Staats laid the foundation for the positions GAO was to take throughout the congressional debate on this legislation. Because of his extensive background in Federal budgeting, the Comptroller General held strong views on the subject. Here is what he proposed and how the Congress responded.

1. He expressed strong support of a congressional budget control mechanism. The Congress put one in place.

2. He suggested that the initial budget target—the total revenue and expenditures the Congress could provide for a given year—be acted on by the entire Congress and that it not be an inflexible and rigid limitation. The budget act carried this out by specifying that two targets would be set by concurrent resolution (acted on by both Houses) and that the first target would not be binding on the Committees.

3. He urged that the limitations apply to all congressional funding authorizations (not just those made through annual appropriations) and that the Congress resist efforts to remove Federal activities from the budget and thereby weaken congressional control. Although, the law exempted few programs from the budget process, the Congress resisted proposals to bring organizations like the Federal Financing Bank back within the budget. Instead, it settled on a requirement for continuous study of the provisions exempting Federal agencies from the President's budget.

4. Because of time pressures built into the existing budget procedures, Staats made two suggestions: first, that the executive branch submit an early analysis of uncontrollable or fixed costs and second, that the President provide an analysis of how the overall totals would be broken down by committees and subcommittees of jurisdiction. The former was satisfied by a requirement (later abandoned) that the President submit a "current services budget" in November. The latter was not adopted. The Congress, wanting to keep questions of jurisdiction to itself, gave the job of dividing the totals among the committees to the conference committee acting on the budget resolution.

5. Staats supported the Joint Committee's proposal that a joint staff be established to support the two Budget Committees. As he saw it, the staff could be augmented to handle seasonal workload peaks by assigning staff from GAO and CRS. This was a key proposal for GAO and one that the Congress rejected in favor of a separate Congressional Budget Office (CBO). More about this follows.

6. He urged that the Budget Committees hold public hearings on the budget, a proposal which was incorporated in the law and has become standard practice.

7. He suggested several alternatives to give the Congress more time to act on the budget than the 5 months between January and July and to thus reduce or eliminate the need for Federal agencies to limp along under continuing resolutions for part of the fiscal year. One alternative he suggested, which the Congress adopted, was to begin the fiscal year on October 1 instead of July 1, which gave the Congress 3 more months to act on agency budgets.

8. Finally, Staats suggested that the Congress prepare a longer term funding outlook or projection for future years based on actions taken during each session. The budget act requires CBO to prepare a 5-year forecast near the beginning of each fiscal year.<sup>10</sup>

Thus, although the Congress ultimately enacted many of the Comptroller General's suggestions, some hit the cutting-room floor. There is no way to show a cause-and-effect relationship for those that were enacted; indeed, Staats sometimes merely endorsed the Joint Committee's own proposals. The point is that the scope of his testimony went far beyond matters of direct interest to GAO.

Staats' testimony did not ignore GAO, however. In addition to suggesting that GAO personnel be made available to a joint legislative budget staff, he made several specific suggestions on how GAO could assist the new budget process, including:

- Preparing for each appropriations subcommittee analyses which would relate GAO's audit findings to budget areas where the

subcommittees may wish to consider modifications.

- Analyzing Federal agency budget justifications.
- Responding to requests to obtain information on Federal programs and analyzing data for congressional committees.<sup>11</sup>

He also highlighted GAO's interest in and responsibility for evaluating the effectiveness of Government programs and noted that others had made proposals to create "new agencies in the Congress to assist in evaluating the results of Federal programs." In his testimony, he said:

*In discussing these proposals with Members of Congress and others, I frequently find that individuals who make these proposals are unfamiliar with the extent to which the emphasis in the General Accounting Office on program evaluation type audits has increased.<sup>12</sup>*

This leads back to the Comptroller General's support of a joint staff for the Budget Committees instead of a separate CBO. Some have asserted that Staats wanted GAO to be the Congress' budget analyst. True, he continued to support a joint staff long after the Senate Government Operations Committee decided a separate office was needed, but his intent was to minimize the growth of congressional staff and make the best use of existing resources. In fact, Staats adhered

to this position even in the face of suggestions that the new budget office be placed in GAO. He made his position clear in a June 1973 letter to Senator Metcalf.

*While I personally favor the recommendation of the Joint Study Committee on Budget Control for creation of a joint legislative staff to be supported by the General Accounting Office and Congressional Research Service, I support a strong congressional effort to analyze and control the budget and I will cooperate fully with any new organization designed to help accomplish that purpose.<sup>13</sup>*

Throughout congressional consideration of this legislation, GAO worked closely with the committees, especially in the Senate where the process was somewhat more open. The Senate Government Operations Committee even furnished copies of its draft bills, so GAO was able to provide its suggestions before the Senators voted on the bills. This procedure gave GAO a voice in settling such details as (1) deciding what resources it would have to furnish to CBO to help carry out the new Office's duties and (2) retaining GAO's role as the Congress' agent in standardizing and reporting fiscal and budgetary information.

Generally, the budget act has matched and, in some ways, even exceeded its framers' expectations. The Budget Committees are a pow-



**THE COMPTROLLER GENERAL TESTIFIES** on the Budget Control Act before Senators Robert P. Griffin and Robert C. Byrd at a Senate Rules and Administration subcommittee hearing in 1974

erful new force on the Hill. However, the new budget process has been severely challenged, especially in recent years, and its long-term prospects are still uncertain.

## The GAO Acts Of 1974 And 1980

Important as the legislation discussed above was, the laws closest to the heart of GAO's charter were the General Accounting Office Acts of 1974 and 1980. These laws were supported or sponsored directly by GAO; they were the ones on which the Office invested the greatest amount of time and resources. Their many provisions dealt directly with problems affecting Office operations.

The 1974 law contained several housekeeping provisions designed to make GAO operations and those of other Federal agencies more efficient. Its most significant title transferred the audit of transportation payments from GAO to the General Services Administration. This was the last of GAO's detailed voucher audit functions, and its transfer completed an outplacement process begun in 1950.

The 1980 act contained other substantive provisions, two of which GAO had promoted for nearly a dozen years. It strengthened GAO's authority to enforce its statutory right of access to records at both Federal agencies (through litigation authority) and private contractors (through subpoena authority). Other provisions, such as the new procedure for appointing the Comptroller General, did not originate in GAO but were generally consistent with positions taken by Staats. The table (Figure 8-1) summarizes the provisions of both laws.

### RIBICOFF HEARINGS

In 1967 Senator Abraham Ribicoff introduced a bill to establish a Commission on Legislative Evaluation which would explore the best ways to set up an independent office of the Congress to do legislative evaluations. He proposed that the commission be chaired by the Comptroller General and that it furnish the Congress with its recommendations. No action was taken.

The process leading to the two GAO acts had actually started in 1969 when hearings were held by Senator Ribicoff as Chairman of the Government Operations subcommittee responsible for oversight of GAO. The hearings grew out of an agreement reached in the Senate on the military procurement authorization bill. In return for postponing action on amendments calling for GAO studies of defense procurement activities, Senator Ribicoff made a commitment to hold hearings on GAO's capability to analyze and audit defense expenditures.<sup>14</sup>

Actually, a much larger issue was involved; namely, whether GAO could provide the Congress with the kind of information the executive branch could provide for itself and thus make

the two branches more equal. The hearings became an open forum for the Comptroller General to (1) inform the Congress about the programs he was instituting in GAO, (2) present his view of how GAO could better help the Congress, and (3) spell out what GAO needed to get its job done. His requests were relatively modest: subpoena power to better ensure access to defense contractors' records and an increased limit on the daily amount GAO could pay experts and consultants. Following the hearings, there was general agreement that GAO's capabilities could best be strengthened through separate legislation to be sponsored by Senator Ribicoff.<sup>15</sup>

Over the next 13 months, GAO worked closely with the subcommittee staff to draft a mutually acceptable bill containing seven titles, which in total would have had dramatic impact on GAO's authority and responsibilities:

### Title I—Assistance to the Congress. GAO would:

- Review, analyze, and evaluate ongoing Federal programs.
- Assign staff to committees to prepare cost-benefit analyses.
- Analyze and review legislative proposals.
- Provide status reports on major weapon systems, construction programs, and research and development programs.

### Title II—Office of the Comptroller General.

- Change GAO's name to the Office of the Comptroller General.
- Authorize two executive level IV positions in the Office of the Comptroller General.
- Create the title of Deputy Comptroller General.

### Title III—Audits of Government Corporations.

- Authorize GAO to audit various corporations at least once every 3 years instead of annually.

### Title IV—Revision of Annual Audit Requirements.

- Authorize GAO to audit various Federal funds and programs under the Accounting and Auditing Act of 1950 periodically, rather than annually.

### Title V—Employment of Experts and Consultants.

- Authorize employment of experts and consultants at up to level II of the Executive Schedule.

### Title VI—Subpoena Power.

- Authorize the Comptroller General to sign and issue subpoenas for contractor and

## **Figure 8-1 GAO Legislation**

### **GENERAL ACCOUNTING OFFICE ACT OF 1974:**

<b>Title</b>	<b>Provision</b>
Title I—Statistical Sampling Procedures in the Examination of Vouchers	Allows Federal agencies more flexibility in examining vouchers using statistical sampling methods
Title II—Audit of Transportation Payments	Transfers audit of transportation vouchers from GAO to the General Services Administration
Title III—Audit of Nonappropriated Fund Activities	Authorizes GAO audits of nonappropriated fund activities
Title IV—Employment of Experts and Consultants	Authorizes maximum salary for experts and consultants employed by GAO and permits 10 of them to be employed up to 3 years
Title V—GAO Building	Entitles Comptroller General to use as much space as he deems necessary in the GAO Building
Title VI—Audits of Government Corporations	Authorizes a reduction in the frequency of required repetitive audits of Government corporations and certain other entities
Title VII—Revisions of Annual Audit Requirements	
Title VII—Limitation of Time on Claims and Demands	Decreases from 10 years to 6 the amount of time a claim may be filed with GAO

### **GENERAL ACCOUNTING OFFICE ACT OF 1980:**

Title I—GAO Provisions	
Sec. 101—Unvouchered Expenditures	Provides GAO limited authority to audit expenditures accounted for solely on the approval or certification of the President or an agency official
Sec. 102—Enforcement of Access to Records	Provides the Comptroller General the authority to enforce GAO rights of access to Federal and non-Federal records
Sec. 103—Appointment of the Comptroller General and Deputy Comptroller General	Establishes a congressional commission to recommend individuals to the President for appointment to GAO's top two positions
Title II—Conforming Amendments for Inspectors General	Amends the acts creating the Inspectors General in two cabinet departments to ensure their activities conform to GAO audit standards

other non-Federal records to which GAO has access.

## Title VII—Enforcement of Decisions and Settlements.

- Authorize the Comptroller General to institute civil actions in U.S. district court and be represented by his own attorneys to enforce settlement authority.
- Authorize the Comptroller General to seek declaratory and injunctive relief when Federal authorities are about to spend funds illegally or erroneously.<sup>16</sup>

The last title had grown out of a dispute between the Comptroller General and the Attorney General about the legality of the so-called Philadelphia plan—a requirement that Government contractors commit themselves to making race a factor for consideration in hiring employees. The Comptroller General ruled the Philadelphia plan illegal, but the Department of Labor went ahead with it following an Attorney General's ruling that the plan was legal. Both officers of the Government claimed the right to rule on the legality of Federal expenditures, and when they differed, there was no means available to settle the dispute, other than through congressional action. A Comptroller General's opinion could be ignored if contradicted by an Attorney General's opinion. The Congress narrowly stopped short of enacting legislation upholding the Comptroller General's opinion on the Philadel-

phia plan, and the Federal courts upheld the validity of the plan.

All in all, the Ribicoff bill was designed to strengthen and broaden GAO's authority so that the Office could provide more effective service to the Congress. In its report on the bill the Senate Committee on Government Operations said:

*It has long been the judgment of many Members of Congress, and of this committee, that the work performed by the General Accounting Office would be far more meaningful and useful if attention were focused upon ongoing programs, current activities, and new proposals. This approach, it was felt, would enable the Congress, and its committees, to have the benefit of the General Accounting Office's findings and recommendations in time to halt unsound practices and activities, or those of doubtful value or legality. It would also make the activities of the General Accounting Office more meaningful and relevant and afford the Congress an opportunity to select the most effective program alternatives.<sup>17</sup>*

The bill passed the Senate in October 1970 with little debate and no dissent. The only substantive change was the deletion of the provision authorizing GAO to review existing Federal programs, which had been made part of the Legislative Reorganization Act of 1970. (See above.)



**THE COMPTROLLER GENERAL AND OTHER GAO OFFICIALS TESTIFY** before Senator Abraham Ribicoff's Subcommittee on Executive Reorganization on GAO's role in reviewing program results

However, the House failed to act, and the bill died when the Congress adjourned.

## **RESISTANCE IN THE HOUSE AND IN EXECUTIVE AGENCIES**

The legislation encountered strong opposition in the House Committee on Government Operations. GAO officials met with Herbert Roback, a key Committee staff aide and close adviser to Congressman Chet Holifield, a senior Committee member. Roback objected to broadening GAO's authority, especially to encompass studies of legislative proposals, and doubted the need for subpoena power or authority to go to court to settle disputes with the Attorney General. He was concerned about GAO's involvement in what he saw as political matters, and he also believed some disputes were best left to political solutions.<sup>18</sup>

Resistance was also building in the executive branch. The Office of Management and Budget reported its opposition to the legislation in 1971 with this rather unusual statement.

*Although our report follows adjournment of the 91st Congress, we wish to state our position \* \* \* in the event consideration is given to reintroducing similar legislation in the next session of Congress.<sup>19</sup>*

Apparently OMB was taking no chances! It was particularly concerned that the authority for GAO to review legislative proposals and the requirement that executive agencies make available "such information and documents as [the Comptroller General] considers necessary" would open up preliminary drafts of legislation later discarded and memorandums about agencies' suggested program alternatives. OMB also expressed concern about granting GAO authority to settle disputes in court. Noting that agencies could rely on the Attorney General's opinion when it differed from that of the Comptroller General, OMB said:

*There may well be emergencies or unforeseen events, where the President would find it necessary to proceed on that basis in the public interest, and we do not believe that right should be threatened by use of the injunctive process.<sup>20</sup>*

Senator Ribicoff reintroduced the bill early in the 92d Congress (March 1971), but no further action was taken and no similar bill was introduced in the House. Because this kind of legislation has no natural constituency outside the Government, GAO's success would have to depend on perseverance and the force of reasoned discussion with the members and staff responsible for considering the legislation.

In May 1971, GAO formally endorsed the bill in a report to the Senate Government Operations

Committee. A month later, the Comptroller General took a new but unsuccessful tack. He presented a draft bill to the House Judiciary Committee containing the title VII provisions of the Ribicoff bill but modified to give jurisdiction to the Judiciary Committee instead of Government Operations.<sup>21</sup> Judiciary, in turn, looked to the Justice Department for guidance. Negotiations between GAO and the Department to iron out differences on GAO's proposed authority to settle disputes proved fruitless, and the Judiciary Committee took no action.

As time passed, other matters involving GAO required action by the Congress. Following a 3-year study of scandals at military post exchanges, the Senate Government Operations Committee issued a report calling for extensive reforms.<sup>22</sup> In November 1971, Senator Ribicoff introduced a bill to provide for GAO reviews of certain non-appropriated fund activities, including post exchanges. Six months later, the Comptroller General forwarded to the Congress draft bills modifying the requirements for GAO audits of Government corporations and certain other Federal entities (titles III and IV of the Ribicoff bill) and liberalizing the limits on using statistical sampling for checking Federal agencies' expenditure vouchers. However, no action was taken on any of this legislation in the 92d Congress.

As the 93d Congress opened, GAO reviewed all the proposals that had been made to date and developed its own omnibus bill, containing 12 titles, to bring them together. Included in the draft bill were all the titles from the old Ribicoff bill except title I, Assistance to the Congress (which had been rendered largely unnecessary by the Legislative Reorganization Act), plus titles providing for audits of nonappropriated fund activities and liberalized use of statistical sampling for auditing expenditure vouchers.<sup>23</sup>

The bill also contained five new titles, each designed to strengthen GAO's authority or make its operations more efficient. GAO requested authority to

- broaden its role in providing budgetary, fiscal, and program information to the Congress;
- enforce its right of access to executive agency records;
- gain custody and control of the GAO Building;
- make periodic studies of Government contractor and subcontractor profits; and
- transfer the audit of transportation payments and recovery of overcharges to one or more executive agencies.

Transmitted to the Congress in June 1973, the bill was introduced in both Houses that same month, and hearings were held in the Senate in August. Strong resistance in the executive branch and in the House continued, particularly to the

provisions for subpoena power access-to-records enforcement, and authority to seek court review of disputes between the Comptroller General and the Attorney General.

#### GAO OPTS FOR HALF A LOAF

Beyond the opposition to specific titles, it was becoming increasingly clear that any bill having that many titles had little chance of success because opposition to any one title endangered the whole bill. Therefore, GAO decided to split the bill into two parts, one containing the relatively noncontroversial titles and the other containing the titles which had attracted the strongest opposition. The Comptroller General forwarded two separate, revised bills to the Congress in December 1973.

The following year, congressional attention focused on the noncontroversial bill which contained seven titles (statistical sampling of vouchers, transportation payment audits, nonappropriated fund audits, employment of experts and consultants, GAO Building, audits of Government corporations, and revision of annual audit requirements). Both Government Operations Committees were receptive to the split and were ready to move this bill. The House Committee held hearings in June and the Senate Committee in August.

Not all was smooth sailing, however. One obstacle was a series of issues raised in June 1974 by the GAO Black Caucus. Among other things, the Caucus asserted that "serious labor-management problems in [the Transportation and Claims Division] are the real reasons for the Comptroller General \* \* \* proposing legislative

action to force the transfer." Instead of the transfer, the Caucus urged further study and more complete automation of the audit function. In the event of transfer, it insisted on development of "a carefully prepared implementation plan, mutually agreed to by GAO and the gaining agency, with input by all levels of employees of [the Transportation and Claims division], and assistance from the Civil Service Commission."<sup>24</sup>

The Comptroller General responded that the basic reason for proposing the transfer was that "by its very nature it is primarily an operating function of the Executive Branch." He also asserted that GAO was sensitive to the concerns, interests, and rights of its employees and explained how they would be protected.<sup>25</sup> Nevertheless, following negotiations between Committee staff and the interested parties, both Committees amended the bill to include additional safeguards of employee rights and extended the period during which the transfer would occur.

Another problem concerned custody of the GAO Building. Like most other Federal buildings, the GAO Building is owned and operated by the General Services Administration. Even though GAO occupied only part of the building, it wanted custody of the entire building so it could more adequately provide space for the growing staff. For years, for example, space constraints had precluded moving the Washington Regional Office (located in Falls Church, Virginia) into the building. Both GSA and the Office of Management and Budget opposed title V. GSA argued that assigning custody to GAO would be contrary to a law prescribing user charges for building



**GAO OFFICIALS READY FOR TESTIMONY** on GAO bill in August 1974 before a Senate subcommittee (l. to r., Tom Sullivan, Robert Keller, Elmer Staats, Sam Hughes and Ellsworth Morse)

space and establishing the public building fund when half the space was occupied by executive agencies. Although the House Committee supported GAO, the Senate Committee modified title V to give GAO "first priority" on space within the building, including displacement of executive agencies if necessary.<sup>26</sup> GSA still operates the building, but the Washington Regional Office moved there in 1979 and the executive agencies are gradually moving out.

Having ironed out these and other, more minor problems, both Houses passed the legislation. With President Gerald R. Ford's signature on January 2, 1975, the General Accounting Office Act of 1974 became law.

#### **KEY CONGRESSMEN INFLUENCE ACTION ON TOUGHER ISSUES**

This left the so-called controversial bill on the back burner. Following the end of the 93d Congress, GAO officials took another look at the five titles in the bill submitted to the Congress the previous year. One major change in the Congress which ultimately had a major effect on the course of this legislation was the appointment of Jack Brooks as Chairman of the House Government Operations Committee. He succeeded Chet Holifield who had retired.

Both Congressman Brooks and Senator Metcalf, Chairman of the Senate Government Operations subcommittee with jurisdiction over GAO, introduced bills to have all legislative branch agency heads appointed by the Congress. They provided for the congressional appointment of the Comptroller General, shortening of his term, and his easier removal. Congressman Brooks' perception of the need for this legislation was spelled out in his statement introducing the bills:

*These offices were created by Congress to serve congressional interests and they should be completely responsive to Congress. It is hard for me to understand how earlier Congresses could decide to leave their appointment to the President.*

\* \* \* \*

*Mr. Speaker, Congress can no longer take such a defeatist attitude on so important an issue. The doctrine of separation of powers is basic to our system of government, and Congress contributes to the weakening of that system when it permits the President to exercise authority in the legislative domain.<sup>27</sup>*

The Comptroller General's response, already discussed in chapter 7, would come later. Meanwhile, in June 1975, Staats transmitted to the Congress a revised GAO bill containing the same basic provisions as in the previous year's bill except for the title on budget, fiscal, and program

information which had been incorporated in the Congressional Budget Act. Senator Metcalf introduced this bill on August 1, 1975, but no companion bill was introduced in the House.

Senator Metcalf's subcommittee held hearings in October on four bills: the GAO bill, Metcalf's own bill to provide for congressional appointment of the Comptroller General, and two other bills to extend GAO's audit authority.

In his testimony, Staats argued vigorously against the Metcalf bill and expressed strong support for the GAO bill, especially title I that would provide a means through the courts for enforcing GAO decisions and settlements when the Attorney General disagreed. Concerning the latter, Senator Metcalf highlighted what was probably the weakest link in GAO's argument—the relatively few times in recent years (only four during Staats' term) when there had actually been a difference of opinion between the Comptroller General and the Attorney General. Then Metcalf asked the hard question: "have you been tough enough or haven't you gotten along all right and don't need this authority?"

In his reply, Staats came very close to asserting that the lack of an enforcement mechanism had a "chilling effect" on GAO:

*I think we have been tough enough, but I would also have to say to you honestly that the fact that we know that the Attorney General can overrule us may well have some bearing upon our willingness to do it. You are talking here essentially about whether an officer of an executive branch will have authority to veto the Comptroller General on a matter of what does the law say with respect to authority to spend money.<sup>28</sup>*

Notwithstanding this assertion, GAO lost the argument. There was no further action on the GAO bill during the 94th Congress, and this was the last time during the 15-year term that any GAO bill contained a provision on enforcing Comptroller General decisions.

The House was another story. Congressman Brooks did not follow the custom practiced by his predecessor and many other committee chairmen of introducing (by request) legislation submitted to the Congress by Federal agency heads. Instead, Brooks generally introduced under his own name only those bills which he could support and which he thought stood a good chance of becoming law. Apart from the question of ultimate enactment, the primary sticking point was the question of who would appoint the Comptroller General, how long his term would be, and by what procedure he could be removed. For more than 2 years, Staats stood firm in his opposition to any modification of proce-

dures for Comptroller General appointment that would jeopardize the Office's independence.

It was not until August 1977 that progress was made in resolving the difference. Chairman Brooks' Committee staff had drafted a bill which called for the appointment of the Comptroller General by the Congress from a list of nominees prepared by a commission comprising specified officers of the Congress, committee chairmen, and ranking minority members. The President was not to participate in the appointment or removal process. This feature of the draft bill raised several questions: Would the Comptroller General be an "Officer of the United States"? (Such individuals must, under the Constitution, be nominated by the President and confirmed by the Senate.) If not, could he continue to undertake the so-called executive functions which are part of GAO's responsibilities? Furthermore, would the proposed appointment and removal mechanism adversely affect the Comptroller General's independence?<sup>29</sup>

In view of these concerns, Staats asked his General Counsel to identify alternatives to Chairman Brooks' draft bill. The General Counsel responded that among several approaches he had explored, the "least undesirable compromise" would involve the President's appointing the Comptroller General after considering a list of candidates supplied by a legislative group. The list could be "discretionary" or "mandatory," but the mandatory list raised constitutional questions because the constraints it imposed on the President's appointment powers were likely beyond those permitted by the appointment provisions of the Constitution. However, he also observed that the question had not been tested in court and probably never would be even if the bill were enacted, provided that the President selected a nominee from the list. Staats proposed that the discretionary list approach be the first line of negotiation with the Committee staff.

Subsequent objections from Chairman Brooks' staff came as no surprise. The Committee staff held strong views that the Congress should dominate the selection of the Comptroller General. But both sides compromised and agreed to support a congressional commission that would submit a mandatory list of potential appointees to the President.

In April 1978, Congressman Brooks introduced House bill 12171 which contained the agreed-upon provisions for appointing the Comptroller General and his Deputy and procedures for enforcing GAO access to records of both Federal agencies and private contractors. The bill also contained a new responsibility for the Comptroller General. It amended the Accounting and Auditing Act of 1950 authorizing the Comptroller General to audit so-called unvouchered expenditures—those expenditures accounted for solely on the approval or certificate of the President or an executive agency official.

Dozens of these funds were scattered throughout the Government, but they lacked oversight. Congressman Robert Eckhardt had introduced a separate bill with this provision the previous year, and Brooks supported the idea.

From this point, events moved along rather routinely in the House. The Government Operations Committee held a hearing in June, and the Committee reported the bill in September with one major addition—statutory procedures governing the release of GAO draft reports and obtaining and handling comments by executive agencies. This new provision stemmed from the House Select Committee on Congressional Operations' June 1978 report which expressed concern about GAO's lack of timeliness in servicing the Congress, attributed in part to the time required to complete and review draft reports, including the time allowed executive agencies to submit comments.<sup>30</sup> Responding to this concern, GAO had instituted administrative changes to expedite agency comments. GAO had also begun sending the Government Operations Committees weekly lists of draft reports sent to agencies for comment and including in the final reports discussions of any significant changes from the conclusions and recommendations contained in the drafts. However, the Committee was not satisfied:

*The Committee appreciates the Comptroller General's effort to expeditiously meet the Committee's concerns by implementing the above administrative order. However, such administrative actions can be reversed by future management changes at the GAO. Further, these procedural changes do not fully address the concerns raised earlier in this report regarding GAO's excessive reliance on formal agency comments.<sup>31</sup>*

The GAO bill passed the House in October 1978, but in the Senate, again, there was a different situation. Due to the death of Senator Metcalf the previous January, no one on the Senate Government Operations Committee was sufficiently familiar with and interested in the GAO bill to move it. Senator Ribicoff had become Chairman of the full Committee, and he was preoccupied with other matters. Senator John Glenn succeeded Senator Metcalf as the chairman of the subcommittee with jurisdiction over GAO, but he and his staff needed time to become familiar with the complex issues associated with some of the GAO bill's provisions. Near the close of the 95th Congress, GAO gained Senator Glenn's support of a last-minute effort for the Senate to pass at least some of the provisions of the House-passed bill, but the effort failed in the final hours.

## **OVERCOMING THE LAST ROADBLOCKS TO ENACTMENT**

By the beginning of the 96th Congress, both House and Senate Committees were ready to act on the bill. Chairman Brooks introduced the bill on the first day of the new Congress—January 15, 1979. His new bill (H.R. 24) was essentially the same as that passed by the House the previous October except for the addition of a second title designed to ensure that the Inspectors General of the Departments of Energy and Health, Education, and Welfare followed audit standards established by the Comptroller General.

Executive agencies were opposed to many of the bill's provisions, especially those pertaining to GAO audits of unvouchered expenditures and enforcing access to agency records. The House Committee staff worked with these agencies and OMB in the spring of 1979 to resolve the differences. GAO also had some concerns, particularly on the section pertaining to the availability of GAO draft reports.

When the House Committee held hearings in June, Chairman Brooks introduced a substitute bill incorporating changes, based on the Committee's discussions, that were designed to overcome the strongest objections. Staats supported the substitute bill with the reservation that he would have preferred that the section on availability of draft reports not be written into law but discussed only in the Committee reports. However, James McIntyre, Jr., Director of OMB, expressed a different view. Although he acknowledged the Committee's good faith efforts to iron out an acceptable compromise, he noted that problems certain agencies had raised were not addressed in the substitute, and he expressed strong reservations of his own, particularly about granting the Comptroller General authority to seek court enforcement of access to agency records. Offering only to work further to define a "limited and carefully circumscribed enforcement mechanism," McIntyre said this about the substitute bill.

*The proposed amendment would vest virtually a standardless authority in the Comptroller General. The only basis for withholding information from even the broadest and most burdensome of requests would be a constitutionally based privilege. Such measures are potentially contentious and inappropriate.*

*We would prefer that procedures by which the Comptroller General acquires documents remain as they are, supplemented by the other provisions of H.R. 24.<sup>32</sup>*

Chairman Brooks seemed surprised by OMB's lack of enthusiasm, and he essentially laid down the gauntlet.

*I thought that we had agreed on this, and I made the mistake of thinking we were working with you all on this and had agreed to almost everything. Apparently, we agree on less than I thought, but I believe we still have the votes to pass it, and I hope the President will sign it.<sup>33</sup>*

Two and a half months later the Committee unanimously reported the bill without further major change. In its report, the Committee made pointed reference to OMB's testimony.

*By inference they suggest that GAO was assigned authority to audit financial transactions by the Budget and Accounting Act of 1921 and that any expansion beyond that authority should be subject to the approval of the head of the agency being audited. \* \* \* Since H.R. 24 was introduced early this year, the Committee has held extensive discussions with officials of the OMB in hopes of resolving the major objections to the bill. While resolution was reached on several issues, OMB steadfastly maintained this not so subtle attempt to limit congressional oversight of the executive branch. OMB's position in this respect represents by far the best argument for the need for Congress to strengthen GAO's strict oversight of the executive branch.<sup>34</sup>*

The House passed the bill on October 29, 1979, and then it was up to the Senate to act. Senator Glenn's subcommittee held hearings in October and December 1979 on the Senate version of the GAO bill, Senate bill 1878. This time, the primary administration witness was a Deputy Assistant Attorney General, Lawrence A. Hammond. Although he did not oppose the bill outright, he expressed strong reservations about the unvouchered expenditures and access-to-records enforcement provisions. In an interesting twist, the Justice Department volunteered to referee access-to-records disputes between GAO and the executive agencies, just as OMB had earlier. This proposal was as unacceptable to Senator Glenn as was OMB's to Brooks.

In written comments on Senate bill 1878, the Departments of State and the Treasury expressed strong opposition to the bill.

Following further negotiations between the committees, executive agencies, and GAO, the Senate Committee on Governmental Affairs reported the bill after adopting several amendments designed to overcome the strongest administration objectives yet still preserve the bill's basic intent. One new subsection precluded GAO from bringing court action against a Federal agency or issuing a subpoena against a non-Federal party to obtain access to records in three situations. In one situation, the President or the Director of OMB could preclude GAO access by

certifying in writing that disclosure of the requested material "could reasonably be expected to substantially impair the operations of the Federal Government."<sup>35</sup> Thus, OMB ended up being something of a referee in access-to-records cases, but its prerogatives were carefully limited and the occasions on which it would certify an exception were expected to be very rare.

The Senate passed the GAO bill on February 28, 1980, and the House agreed to the Senate amendments 3 weeks later. With President Carter's signature on April 3, 1980, the General Accounting Office Act of 1980 became Public Law 96-226. In signing the legislation, the President said:

*The passage of this law reflects the importance we all place on sound auditing practices within the Federal Government.*

*\* \* \* This legislation involves complex issues with constitutional implications and its passage required negotiations in good faith by all parties. I am confident that this cooperative spirit will extend to the implementation of the Act's provisions.<sup>36</sup>*

A process which had begun in September 1969 finally came to a close 10½ years later. All in all, the GAO bills at one time or another contained 19 titles, of which 16 were enacted into

law. With the Congress' support, GAO got most of what it wanted. In the process, GAO learned that the support of key members of Congress is essential to overcome the resistance inherent in any proposal to strengthen the agency vis-a-vis the executive branch or other entities it audits. Because no great constituency or public fervor rallies behind an agency like GAO, it must win its own case.

## **Other Legislation Affecting GAO's Charter**

In each Congress, dozens of bills are introduced that would give GAO new responsibilities. A few of them make it into law. Most often, the new duties consist of one-time requirements for an audit or evaluation, such as the Energy Reorganization Act of 1974, which directed the Comptroller General to evaluate the effectiveness of the Nuclear Regulatory Commission's programs. Other legislation required GAO to take on new tasks, often executive in nature, that the Congress decided GAO was best suited to carry out. An example was the Trans-Alaska Pipeline Act of 1973, which made GAO responsible for (1) advising the Congress on and overseeing the collection of information required by 13 regulatory agencies and (2) reviewing the need for reports currently required by these agencies. These functions, formerly done by the



**PRESIDENT JIMMY CARTER SIGNS** the GAO Act of 1980

Office of Management and Budget, were transferred by the Congress over GAO's vigorous objection. (The Paperwork Reduction Act of 1980 transferred this responsibility back to OMB.)

A second example—tinged with a little irony—illustrates graphically how the Congress sometimes makes up its own mind when assigning new functions to GAO. During the 1966-81 period, the Congress enacted four major Federal election campaign finance laws which gave GAO one or more duties or took them away. The first was a 1966 law establishing a Presidential Election Campaign Fund to provide public financing of Presidential campaign expenses. It would have allowed citizens to earmark \$1 of their income tax payments to be set aside in a special fund for campaign expenses of the two major parties' Presidential candidates, with each getting as much as \$30 million. The Comptroller General was given supervisory responsibility for this fund; he was to ensure that payments made to political parties would be for reimbursement of actual campaign expenses. He was also made responsible for determining the popular vote which would form the basis for the amounts available for distribution.

Although GAO had opposed earlier efforts to involve it in administering campaign financing reform measures, particularly those covering congressional candidates, it did not comment on the 1966 law as it was going through the Congress and raised no objection to its final approval. The functions assigned to GAO were administrative, and the agency would remain above politics. Following the law's enactment, the Comptroller General took preliminary steps to set up the needed machinery in GAO, but by early 1967, major defects in the law had become apparent and the Congress decided to suspend the law's implementation until it could decide on a formula to fix the defects.

More than 5 years passed before another law was enacted. During that time, GAO's position shifted from neutrality to outright opposition. Commenting on one Senate proposal in June 1971, the Comptroller General said:

*We are strongly opposed to placing the responsibility for the administration of Federal campaign financing requirements in the Comptroller General. Our position, as we have stated in the past with regard to several bills, is that we should not be given the responsibility for audit, investigation, or enforcement in connection with Federal elections. We believe that the effectiveness of the Comptroller General and the General Accounting Office depends in large measure upon maintaining a reputation for independence and objectivity. Not only must we remain free from political influence, but we must zealously avoid being*

*placed in a position in which we might be subject to criticism, whether justified or not, that our actions and decisions are prejudiced or influenced by political considerations. We are, therefore, apprehensive of any measure that might subject us to such criticism, the inevitable result of which would be a diminution of congressional and public confidence in our integrity and objectivity.<sup>37</sup>*

Especially wary of being placed in the anomalous situation of having to investigate and report on its principal, the Congress (in the case of congressional campaigns), the Comptroller General suggested that the Congress instead consider establishing an independent, nonpartisan election commission to oversee Federal campaign spending.<sup>38</sup> That year the Senate did enact a bill that would have established a Federal Elections Commission, but the House version, which prevailed in conference, provided for three "supervisory officers" to administer campaign financing disclosure requirements—the Secretary of the Senate for Senate campaigns, the Clerk of the House for House campaigns, and the Comptroller General for Presidential campaigns and national political convention financing.

The President signed the Federal Election Campaign Act of 1971 into law, and for the first time, GAO found itself in the arena of Presidential politics and campaign finance.\* The timing was propitious because the Nation was only months away from the Watergate break-in and all the dramatic events which followed. GAO was thus thrown into a maelstrom with only its good instincts, its integrity, and its considerable audit and legal experience to guide it.

In April 1972, the Comptroller General established a separate Office of Federal Elections in GAO to administer the campaign finance law and appointed Phillip S. Hughes, former OMB Deputy Director and veteran Federal official, to head it. This was an unprecedented experience for GAO. GAO published a report summarizing its campaign finance administration experiences in 1975 (ACG (OFE)-74-5, Feb. 6, 1975), and Mosher discusses these experiences in his book as well.

In the wake of Watergate, there was strong sentiment for further strengthening campaign financing and disclosure laws. Indeed, Hughes, testifying for GAO in September 1973, asserted that:

*Based on our experience during the past year and a half and our audits and investigations of campaign financing practices during the 1972 presidential election cam-*

\*In late 1971, the Congress also enacted separate legislation reconstituting the Presidential Election Campaign Fund to be financed by the dollar checkoff on income tax returns and making the Comptroller General responsible for ensuring compliance with the provisions establishing it. However, the law did not take effect until after the 1972 Presidential election.

paign, we believe that present laws are inadequate to rectify the abuses we have seen.<sup>39</sup>

The idea of establishing an independent Federal Elections Commission had been revived by others, but Hughes said only that an improved law should be enforced "by an agency equipped with a flexible assortment of investigative and administrative powers." He expressed none of the strong opposition voiced by GAO prior to the 1971 law's enactment. In fact, in earlier testimony (June 1973), Hughes said: "We are not seeking any change in the present organization which divides responsibility among three Supervisory Offices."<sup>40</sup> In a quiet way, GAO was saying it would not object to continuing its role as overseer of Presidential election campaign expenditures.

The momentum for an independent Elections Commission was too strong, however. In May 1974, the Senate passed a campaign reform bill creating an Election Commission composed of seven members. The Comptroller General would have been a Commission member but without the right to vote. A few months later, the House passed similar legislation establishing a "board of supervisory officers" composed of the Clerk of the House, the Secretary of the Senate, and four other congressionally appointed members. Drafts of this legislation would have continued GAO's involvement but removed its direct control over setting policy. Recognizing this, Staats and Hughes met with several key Congressmen and advised them GAO wanted out altogether. When the bill emerged from the House-Senate conference, it provided for establishing a Federal Elections Commission consisting of eight members, including the Clerk of the House and the Secretary of the Senate but not the Comptroller General.

The Federal Election Campaign Act Amendments of 1974 transferred all GAO functions to the new Federal Elections Commission. The transfer was effective May 30, 1975. Thus, GAO was voted out of a job it had strongly opposed taking on but to which it had grown accustomed. Larger events carried the day.

\* \* \* \*

Generally, the Office opposed statutory audit requirements because they bind the agency to a specific task, usually within a set timeframe, that could just as well be done by committee request where work assignments could be arranged administratively that gives both parties greater flexibility. There were exceptions, of course, such as the Federal Banking Agency Audit Act, which directed the Comptroller General to audit the three major bank regulatory agencies. (See ch. 3.) The Office also usually opposed executive-type requirements, such as

the regulatory information monitoring duties under the Trans-Alaska Pipeline Act, because they are more properly done by an executive agency. The theory holds that execution and auditing under the same roof are a poor match.

Unfortunately, the trend in recent years has moved in the opposite direction. The Congress has enacted more and more statutory audit requirements and may be moving further in the direction of assigning GAO more executive-type functions. In the first 18 months of the 96th Congress, a half dozen laws containing GAO audit requirements were enacted. This same Congress also made the Comptroller General a voting member of the Chrysler Loan Guarantee Board, the first time he was given a direct hand in administering a major executive program involving up to \$1.5 billion in loan guarantees. Another very recent law granted GAO authority to go into court to enforce the U.S. Synthetic Fuels Corporation's compliance with legal obligations. The Comptroller General strongly opposed this requirement.

The continuation of longstanding tasks which require considerable resources should also be assessed periodically for their contribution to the agency's basic mission. Additionally, the agency must avoid taking on new tasks which will require large amounts of limited resources but which have only passing value or can be more effectively performed elsewhere.

Preserving, protecting, and modernizing GAO's legislative charter is an important top management job. GAO also has a special need to preserve its status as the Government's independent auditor and evaluator. Occasionally, even those with the best of intentions have proposed legislation which was designed to enhance GAO's or the Congress' stature or authority but which would detract from GAO's independence and value to the Congress and the taxpayer.

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2. Cong. Rec., 7 Mar. 1967, pp. 5672-87

3. Cong. Rec., 4 Aug. 1969, p. 22107

4. Comptroller General Staats, Letter to the Honorable B. F. Sisk, House of Representatives, 20 Aug. 1969.

5. Comptroller General Staats, Letter to Chairman, Special Subcommittee on Reorganization, House Committee on Rules, 20 Oct. 1969.

6. Comptroller General's letter to Chairman, Special Subcommittee, 20 Oct. 1969, p. 3.

7. U.S. Cong., House, Committee on Rules, *Legislative Reorganization Act of 1970*, 91st Cong., 2nd sess., H. Rept. 91-1215 (Washington, D.C.: GPO, 1970), p. 18.

8. Public Law 93-344, titles I-V, VII, VIII, and X (July 12, 1974), Congressional Budget and Impoundment Control Act of 1974

9. U.S. Cong., Joint Study Committee on Budget Control, *Hearings on Improving Congressional Control over Budgetary Outlays and Receipt Totals*, interim report, 93rd Cong., 1st sess., H. Rept. 93-18 (Washington, D.C.: Feb 7, 1973), p. 2.

10. U.S. Cong., Joint Study Committee on Budget Control, *Hearings on Improving Congressional Budget Control*, hearings held Jan.-Mar. 1973, pp. 91-94

11. Hearings, Jan.-Mar. 1973, pp. 94-95.

12. Hearings, Jan.-Mar. 1973, pp. 96-97.

13. Comptroller General Staats, Letter to Chairman, Subcommittee on Budgeting, Management, and Expenditures, Senate Committee on Government Operations, 15 June 1973.
14. U.S. Cong., Senate, Subcommittee on Executive Reorganization, Committee on Government Operations, *Hearings on Capability of GAO to Analyze and Audit Defense Expenditures*, hearings held Sept. 1969, pp. 1-2.
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17. S. Rept. 91-1264, p. 3.
18. L. Fred Thompson, Legislative Attorney, Memorandum to Office of Legislative Liaison, 29 Oct. 1970.
19. Associate Director, Office of Management and Budget, Letter to Chairman, House Committee on Government Operations, 19 Jan. 1971.
20. OMB Associate Director's letter to Chairman, House Committee on Government Operations, 19 Jan. 1971, p. 3.
21. Comptroller General Staats, Letter to Chairman, House Committee on the Judiciary, 2 Aug. 1971.
22. *Washington Post*, 3 Nov. 1971, p. 1.
23. Cong. Rec., 21 June 1973, pp. S11690-93.
24. President, GAO Black Caucus, Memorandum to Subcommittee on Legislation and Military Operations, House Committee on Government Operations, 10 June 1974, p. 5.
25. Comptroller General Staats, Letter to Chairman, Subcommittee on Budgeting, Management, and Expenditures, Senate Committee on Government Operations, 22 Aug. 1974, p. 2.
26. U.S. Cong., Senate, Committee on Government Operations, *General Accounting Office Act of 1974*, 93rd Cong., 2nd sess., S. Rept. 93-1314 (Washington, D.C.: GPO, Dec. 10, 1974), p. 5.
27. Cong. Rec., 14 July 1975, p. 22668.
28. U.S. Cong., Senate, Subcommittee on Reports, Accounting, and Management, Committee on Government Operations, *Hearing on GAO Legislation*, hearing held Oct. 2, 1975, p. 32.
29. Richard R. Pierson, Associate General Counsel, Memorandum to Comptroller General, 25 Aug. 1977.
30. U.S. Cong., House, Select Committee on Congressional Operations, *General Accounting Office Services to the Congress: An Assessment*, 95th Cong., 2nd sess., H. Rept. 95-1317 (Washington, D.C.: GPO, 1978), p. vii.
31. U.S. Cong., House, Committee on Government Operations, *General Accounting Office Act of 1979*, 96th Cong., 1st sess., H. Rept. 96-425 (Washington, D.C.: GPO, 1979), p. 11.
32. U.S. Cong., House, Subcommittee on Legislation and National Security, Committee on Government Operations, *Hearings on General Accounting Office Act of 1979*, hearing held June 1979, p. 90.
33. *Hearing on GAO Act of 1979*, p. 91.
34. H. Rept. 96-425, p. 9.
35. U.S. Cong., Senate, Committee on Governmental Affairs, *General Accounting Office Act of 1979*, 96th Cong., 2nd sess., S. Rept. 96-570 (Washington, D.C.: GPO, 1980), pp. 12-13.
36. *GAO Management News*, 8 Apr. 1980, p. 2.
37. Comptroller General Staats, Letter to Chairman, Senate Committee on Rules and Administration, 15 June 1971, p. 3.
38. Comptroller General's letter to Chairman, Senate Committee on Rules and Administration, 15 June 1971, p. 4.
39. U.S. Cong., Senate Committee on Rules and Administration, *Testimony of Phillip S. Hughes* (20 Sept. 1973), p. 2.
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# Chapter 9

## Reorganizing Along Program And Functional Lines

GAO probably has done less reorganizing than most other Federal agencies. The long term of the Comptroller General and GAO's basic mission have made the Office a rather stable organization. Nevertheless, the agency's ability to pursue the directions set forth by the Comptroller General was affected by the shape of the organization and the relationships between the individual units. Therefore, reorganization was one of the tools used from time to time to effect change where change was needed. One major reorganization, implemented near the midpoint of the 1966-81 period, added new organizational units to carry out additional mandates and to help bring about some of the changes in personnel and operating style that top management wanted.

This chapter looks at GAO's organizational structure, primarily in the headquarters divisions. It discusses the organization in 1966 and before, the relatively few changes made prior to 1972, the major reorganization of 1972, the new offices established to take on new duties and accelerate organizational change, and finally the recent study of the need to reorganize GAO's defense work.

### The Organization In 1966

Coinciding with GAO's transformation in the decades following World War II from a largely clerical and bookkeeping organization to one of modern, professional auditing, there were a number of organizational changes. Figure 9-1 shows how the organization looked in 1949 when the first Hoover Commission made its report and the Congress was enacting legislation that would transform GAO.<sup>1</sup>

GAO's organization structure reflected the largely clerical functions still centralized in Washington. Key units included the large Audit Division, the Corporation Audits Division, and the Office of Investigations. The activity getting the greatest emphasis at the time—the development, installation, and inspection of agency accounting systems—was housed in the Accounting Systems Division.<sup>2</sup>

The simpler configuration in 1955 that was inherited by Comptroller General Campbell is shown in Figure 9-2. The large desk audit divisions—Accounting and Bookkeeping, Reconciliation and Clearance, and Postal Accounts—had been abolished under the transformation overseen by Lindsay Warren.

Campbell revised the organizational structure to pursue the goals he perceived for the Office

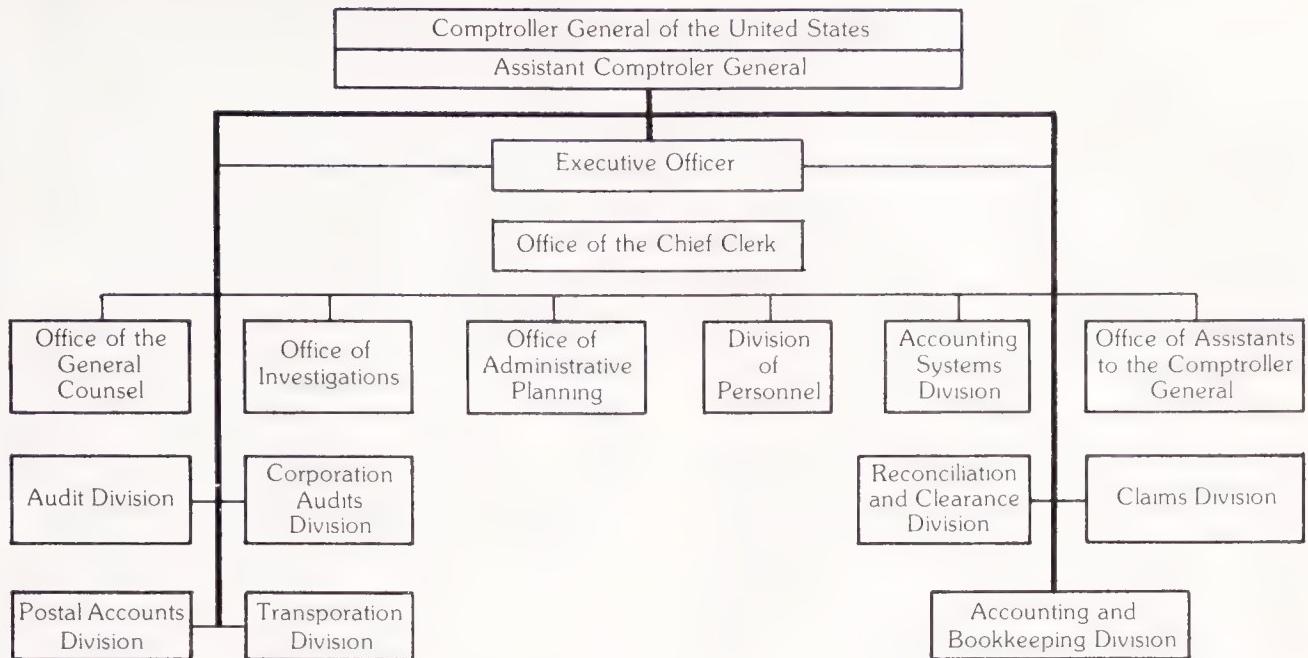
and to streamline its operations. He envisioned GAO's function to be that of the Government's own public accounting firm. Campbell concluded that GAO's separate accounting and auditing functions should be merged, defense matters needed more attention, accounting and auditing policies needed harmonizing, and sharper delineation of line and staff activities would be more businesslike.<sup>3</sup> The new arrangement (Figure 9-3) was already in place when a 1956 report by the House Government Operations Committee expressed views on GAO's organization and administration not far apart from Campbell's.<sup>4</sup>

This configuration differentiated the three major areas of (1) accounting, auditing, and investigative functions, (2) legislative and special functions, and (3) the Office of the General Counsel. The Assistant to the Comptroller General, Karney A. Brasfield, was assigned to coordinate the accounting, auditing, and investigative functions that had been merged into the operating divisions, notwithstanding Campbell's directive that division directors report directly to him. Another Assistant to the Comptroller General, Robert F. Keller, was designated to head up legislative and special functions and to personally supervise legislative liaison. The General Counsel headed the third area.<sup>5</sup>

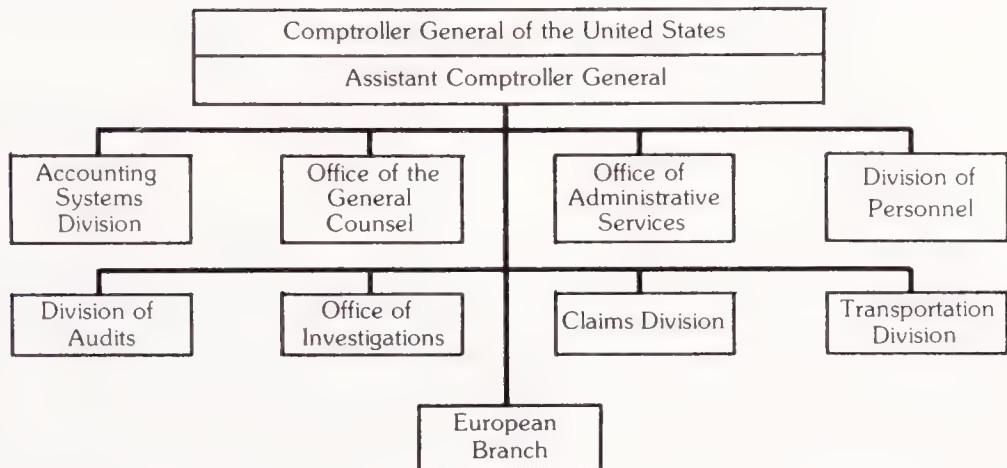
From the dissolved Accounting Systems Division and the Division of Audits, Campbell plucked about 10 policy experts and formed the Accounting and Auditing Policy Staff. Audit Policy was headed up by Ellsworth B. Morse, Jr., and Accounting Principles, Standards, and Fiscal Procedures by Walter F. Frese. Morse was to monitor GAO's audit policies and to foster internal auditing in the executive agencies. Frese's charter was accounting principles and standards for executive agency systems, including "appropriate emphasis on internal controls and the staff responsibility for Governmentwide procedures for an accounting or fiscal nature." Both staffs were charged with reviewing proposed work plans of the operating groups and monitoring audit reports for consistency with established accounting and audit policy.<sup>6</sup>

Broken out of the monolithic Division of Audits that formerly housed about 2,800 people were three new divisions: Defense Accounting and Auditing, Civil Accounting and Auditing, and Field Operations.<sup>7</sup> Defense and Civil also absorbed the functions and staffs of the former Accounting Systems Division and Office of Investigations. The latter's local offices were merged into the Field Operations Division. There were

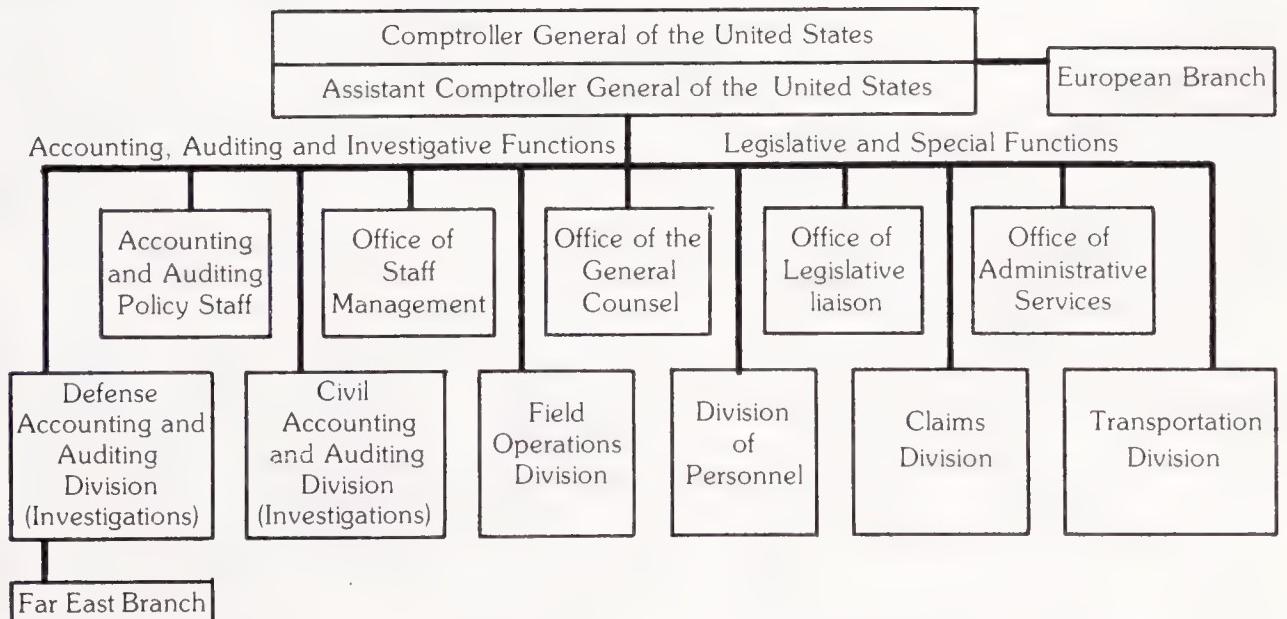
**Figure 9-1 GAO In 1949**



**Figure 9-2 GAO In 1955**



**Figure 9-3 GAO in 1957**



19 regional audit offices and 3 military audit branches at the time. (See ch. 14.) Defense work achieved division status because of rising congressional interest in defense contracting and growth in the national defense budget.

The Defense and Civil Divisions compartmentalized themselves internally according to the executive agencies they audited. Defense consisted mainly of Army, Navy, Air Force, and general defense units, and Civil had about 12 units encompassing about 40 executive agencies and activities. Defense also acquired a Far East Branch with an office in Tokyo. The European Office in Paris, founded in 1952, reported directly to the Comptroller General.

Recognizing the increasing complexities of the Government's international activities, Campbell added an International Operations Division in 1963. The new division was given responsibility for all of GAO's overseas offices, so it functioned both as an audit division and as a service unit to the other divisions, as did the Field Operations Division for GAO's regional offices.<sup>8</sup>

## **Early Changes To Strengthen Top Management**

Comptroller General Staats made few changes in his first years while acquainting himself with GAO's operations and executives. As discussed earlier, most divisions and offices operated rather

autonomously, and top management interfered little in the deployment of personnel, the choice of work, or the allocation of resources within the units. There was no information system to speak of. Staats had relied on one or two aides who canvassed the divisions whenever there was a need for basic information about operations and even administrative matters. Gradually the Comptroller General established staff offices to enhance his control over office operations.

Late in 1966, the Accounting and Auditing Policy Staff was redesignated as the Office of Policy and Special Studies. In addition to overseeing internal policy and reviewing outgoing reports, that Office absorbed the functions of the Office of Staff Management to ensure a closer relationship between professional staff development and accounting and auditing policy.<sup>9</sup>

GAO also acquired an Information Officer. Previously there had been no focal point for relations with the press. Efforts to get GAO's message in the media had been tenuous if not nonexistent, notwithstanding some press attention to individual reports. GAO was little known outside Washington, and even some on Capitol Hill were unfamiliar with its functions, scope, achievements, or potential utility.

The following year, a Program Planning Committee and a small program planning staff were established to conduct semiannual reviews of operating division work plans. (See ch. 10.)



**THE COMPTROLLER GENERAL BEING INTERVIEWED BY JOURNALIST DAN RATHER**, as aired on the national television show 60 Minutes on April 8, 1979. Media relations received more attention in the 1966-81 period.

## The 1972 Reorganization Along Program And Functional Lines

Major organizational change had been on the Comptroller General's mind since the late 1960's. Influenced by the functional realinement he had implemented in the Bureau of the Budget, Staats wanted an organization that would enable GAO to broaden its review of Federal programs; to examine, compare, and improve the activities of all Federal agencies; and to extend the expertise and knowledge of GAO's staff. He believed that both GAO and the Bureau of the Budget, because of their Governmentwide responsibilities, had to be organized along program lines to ease internal management and across-the-board program reviews. Just short of 6 years after his arrival, the Comptroller General implemented the reorganization which not only changed the structure of the Office but also paved the way for new and different kinds of work.

### IDENTIFYING THE PROBLEMS

In 1970 Thomas D. Morris, an expert in organization and management planning, was appointed Special Assistant to the Comptroller General and asked to study GAO's organizational structure as his first assignment. Morris spent 6 months studying the Office's organization and management practices and discussing them with GAO's top managers. He found a steeply pyramidal structure in which 80 percent of the auditing and accounting work was concentrated in two large divisions—Civil and Defense. Division managers were too far removed from audit execution, and layer upon layer of review slowed the issuance of reports. Regional offices had a similar structure and often subjected draft reports to their own review process even before the reports reached the operating divisions. One solution to the regional hierarchy problem might have been to assign regional staffs to the operating divisions, but Morris became convinced that the regional offices were one of GAO's greatest strengths and that they should be retained as separate units.

Morris also found that the divisions did not make enough reviews of Federal programs or functions on a Governmentwide or multiagency basis. There had been some progress in this direction, but due to diverse organization and operating procedures, the agency was unprepared to routinely conduct such reviews. Some Civil Division audit staffs, for example, had begun examining Governmentwide functional responsibilities and multiagency programs, such as health and the environment, but such undertakings were rare and the division was still organized by Federal agency. The Defense Division was functionally organized, but the audit staffs generally restricted their reviews to the activities of a single military department. The exceptions were reviews of Governmentwide procurement

practices which had drawn the attention of the President, the Congress, and others.

Assistant directors who exercised control over audit sites at Federal agencies protected their turf by restricting other assistant directors' access to their provinces. Although this practice may have helped minimize agency confusion about who in GAO was auditing which programs, it effectively prevented some staffs from getting access to data in agencies not routinely audited by them. Another hindrance was the lack of subject matter expertise among staff. Consequently, GAO could not report on the economy, efficiency, or effectiveness of all Federal transportation activities, all Federal education activities, or the like. As one manager put it during the reorganization study:

*By not tackling major domestic programs handled by various agencies or major defense programs (other than major weapon systems acquisition), GAO is not responsive to the needs of the Congress in these vital arenas. We are able to tell them that certain trees in the apple orchard aren't bearing succulent fruit (or maybe no fruit at all) but we aren't able to tell them whether the whole orchard is rotten, that maybe we should be growing peaches instead of apples, that orchards aren't really what the country needs, or that there are just too damn many apples (or orchards).<sup>10</sup>*

Morris asked three key questions in his discussion with audit staffs.

- Is GAO working on the right jobs?
- Is GAO obtaining optimum results from its work?
- Is GAO using its staff resources effectively?

He identified several problem areas, including inefficient planning, programing, and staffing of work; administrative roadblocks; and slow reporting and review procedures. The primary reasons for these problems were the absence of a staff to design, test, and implement solutions to problems; the high degree of decentralization in the divisions; and an organization which limited the Comptroller General's influence over current programs and projects.

Morris recommended a two-step action plan. First was the immediate implementation of a Management Improvement Program, including the appointment of an Assistant to the Comptroller General for Management Services and a Management Improvement Committee. The most urgent matters to be considered included (1) reducing report processing time, (2) revising the job assignment and scheduling procedures to induce greater advance planning, (3) reevaluating the system of manuals, directives, and instructions, (4) improving administrative support ser-

vices, and (5) assigning junior staff to regional offices to relieve headquarters divisions of the training burden.

The second step in Morris' action plan dealt with the need for a different organizational structure. He prefaced his recommendation with the question:

*What is the ideal future structure of Headquarters Divisions if we are to insure the most professional direction of GAO in (1) identifying subjects for program review, (2) planning reviews, and (3) communicating the results to Congress and the agencies?*

Morris said GAO executives generally believed that the answer was more divisions, each responsible for a functional or program area, and he provided two samples of possible functional organizations in his recommendations. He also proposed that a committee be formed to identify several alternative organizational structures and the pros and cons of each.

### **PLANNING THE SOLUTIONS**

The Comptroller General adopted Morris' recommendations with little change. In January 1971, he established a Management Improvement Program and directed Morris to solicit and condense proposals for improving the problem areas identified. A month later, he established the Organization Planning Study Group as part of the overall Management Improvement Program. Deputy Comptroller General Robert Keller chaired the group, which was directed to determine whether any revisions in organizational structure were desirable. Morris acted as advisor and staff to the group. About that time, the Comptroller General appointed Morris as Assistant to the Comptroller General for Management Services.

The study group, which consisted of the division directors and a regional manager, held a series of meetings which ran through most of the year. From the beginning, it was clear that none of the members were satisfied with the present organization. Although aware of the direction Staats wanted to go, Keller encouraged the members to present their own perspectives on the problems GAO encountered in completing its work and possible solutions. Each one submitted a proposed organization plan, along with alternatives in three categories—remaining structurally aligned as is; realining by GAO's own tasks and functions, for example, a division of financial audits and a division of program reviews; and realining by Federal program and activity. The group also solicited comments from others in the divisions and offices.

In April 1971, the group made its first recommendation—that the existing Office of Policy and Special Studies' policymaking responsibilities be separated from its operational responsi-

bilities by establishing two separate entities. A new Office of Policy and Program Planning would make GAO-wide policy on accounting, auditing, and reporting requirements and conduct long-range strategic planning to ensure more complete and thorough examination of Federal programs and activities. The operational responsibilities—automated data processing, financial management, systems analysis, and actuarial science—would be constituted in a Financial and General Management Studies Division (FGMSD). Next, the study group proposed establishing an inspection and review program to provide an internal audit function for the Office.

The Comptroller General accepted both recommendations and announced the establishment of FGMSD and the Office of Policy and Program Planning, both to take effect in July.

In May the group made its third major recommendation, which was to establish an Assistant to the Comptroller General for Audit Operations who would function largely as an alter ego to the Comptroller General—something on the order of a general manager discussed briefly in Chapter 7. Staats ultimately rejected this proposal. "My basic idea," he said in October 1980, "was to hold the divisions responsible, and I didn't think we could do that and have somebody imposed between me and the division directors. I also did not see how one individual could have in his grasp all of the information about ongoing work that was spread among the various divisions." He said his judgment was confirmed somewhat by the confusion about the chain of command that followed the 1972 appointment of two Assistant Comptrollers General to oversee audit division operations.

In August 1971, Keller's study group proposed a major reorganization of the operating divisions. Under his guidance, the group concluded that the accounting and auditing divisions should ultimately be organized on a Government function and program basis and identified one possible approach with seven divisions. The group restated its support for an Assistant for Audit Operations and suggested the incumbent be given general advice about the type of organization desired and a 2-year time limit to complete the reorganization. Group members said any multidivisional structure would require close coordination to adjust responsibility for assignments as frequently as necessary. They cautioned against a complete reorganization at one time as being "much too disruptive."

For a time, the Comptroller General took this proposal under advisement. Meanwhile, he acted on another group recommendation to establish a Procurement Division. As Staats explained it, the Procurement Commission on which he served had found that the Government had no central body concerned about procurement policy. He, therefore, announced establishment of

a GAO Procurement Division in November 1971, to set an example of a group that would be completely dedicated to the procurement process. Implementation, however, was not until later.

### CARRYING OUT THE REORGANIZATION

Between September 1971 and January 1972, the Comptroller General studied the group's major recommendation and changed the proposed reorganization to his own liking. The final organizational alignment, announced on January 25, 1972, reflected his own experiences and views. Included in the final plan was a division responsible for reviewing Federal personnel and compensation programs—a division the study group had not proposed. He also rejected gradual implementation.

In a memorandum to all GAO employees, the Comptroller General said:

*These changes are reflected particularly in the growing proportion of our effort which is devoted to program results reviews, Governmentwide reviews, and cost/benefit analyses. In order to meet these new de-*

*mands and opportunities, we have found it necessary to move toward greater program and functional specialization.<sup>11</sup>*

He also cited four benefits to be derived from the reorganization: accelerated growth of program and functional expertise among staff, greater opportunity for staff growth and advancement, more timely completion of work, and additional assistance to the Comptroller General in his expanded responsibilities. The reorganization is shown in Figure 9-4.

At the same time, Staats announced the establishment of three Assistant Comptroller General positions, one to oversee the Office of Policy, the Office of Program Planning, and the Office of Internal Review (offices established as a result of earlier study group recommendations and restructured at this time) and two to assist the directors of the newly formed divisions and smooth the transition. This was the closest he ever came to establishing a general manager position. Even in announcing these three positions, Staats vested in the division directors, and not the Assistant Comptrollers General, maximum latitude in identifying audit areas, preparing and executing audit plans, preparing final reports, defending reports to review groups, and representing GAO to the Congress and agency officials.

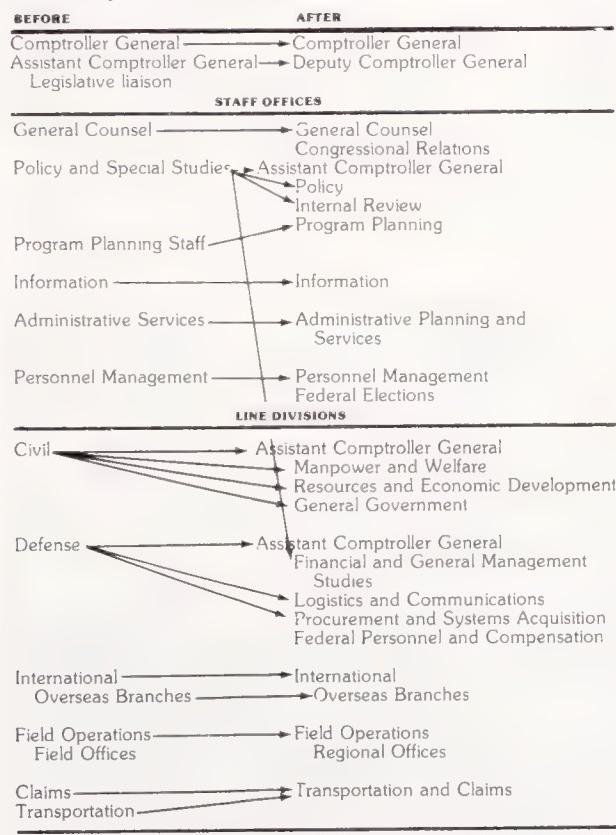
During the next 2 months, the division directors-designate, in collaboration with an Implementation Planning Committee headed by Deputy Comptroller General Keller, prepared their individual plans for organization and staffing. Each plan identified the Federal agencies, programs, and functions under the division's cognizance, a Comptroller General Order implementing the new responsibilities, and a divisional staffing plan. The new organization became effective on April 3, 1972.

The transition to the new structure went fairly smoothly, given the inevitable snags encountered in such a major reorganization. Staffing the new divisions became more of a problem than planning and executing the work. Looking back, the Comptroller General expressed the view that the anticipated benefits, except more timely reporting, had been achieved.

### New Organizations In Response To Changing Needs

The 1972 reorganization established the basic structure for GAO to conduct its audit and evaluation work. Additional units had to be created to respond to major Federal program growth in the 1970's and additional functions given to GAO. The two largest such units were the Energy and Minerals Division (EMD) and the Program Analysis Division (PAD). More recently in April 1980, a third unit joined their ranks—the Institute

**Figure 9-4**  
**Organizational Changes of the General Accounting Office, 1971-1972**



The lines are intended to indicate only the sources and destinations of the major functions and personnel. There are a number of movements of activities at lower organizational levels that are not shown.

**Source:**

Frederick C. Mosher, "The GAO: The Quest for Accountability in American Government."

for Program Evaluation. Useful as these new units were in carrying out GAO's expanded roles, they also served as a source of new ideas, brought additional disciplines into the organization, and challenged the tried and true ways of the existing divisions.

#### ENERGY AND MINERALS WORK

GAO's work in the energy and minerals areas evolved along with the Government's involvement in energy activities and growing recognition that the supply of many natural resources was limited. Earlier energy had not been perceived as a national problem, and energy-related programs were scattered throughout a number of Federal agencies. GAO's audit efforts were similarly dispersed, and they centered on energy issues only to the extent that such issues affected the economy and efficiency of agency programs. These programs were located mostly at the Atomic Energy Commission; the Department of the Interior; and the power-marketing agencies, such as the Bonneville Power Administration. In GAO, primary audit responsibility rested with the old Civil Division and then the Resources and Economic Development Division (RED).

In the early 1970's, emerging shortages in energy, as well as other natural resources, caused increasing congressional and public concern. In 1972 the Comptroller General requested RED to develop a plan describing what GAO could and should do in the energy area. A small group headed by J. Dexter Peach, then assistant to the director for planning in RED, prepared the plan. In a forerunner to what was to become the GAO-wide planning process, RED's energy plan set forth proposed lines of effort, identified specific jobs, and established job priorities. Following formal presentation and approval of the plan, the Comptroller General established an Energy Proj-

ects Group in RED to further plan and coordinate GAO's energy work.

World events soon made the energy work more crucial. The October 1973 Arab-Israeli War followed shortly thereafter, and with it came the OPEC oil embargo, long gasoline lines, and steeply rising petroleum prices. In December Staats established a new Office of Energy and Special Projects (OESP) to give energy issues more visibility and emphasis in GAO. The Office was placed under the direction of Phillip S. Hughes, who was named an Assistant Comptroller General. RED's Energy Projects staff was transferred to the new office. In his announcement, the Comptroller General stated, "While we have increased our work related to energy programs over the past two or three years, it is necessary that we strengthen our activities in this area."<sup>12</sup>

The new office assumed audit and liaison responsibility for the newly established Federal Energy Administration (FEA) and any statutory responsibilities placed on GAO regarding energy data collection and analysis. OESP also took on GAO's duties under the Trans-Alaska Pipeline Act for reviewing the collection of information required by independent regulatory agencies and the approval of requests for collection of information proposed to be sent out by those agencies.

One of Hughes' first initiatives was to recruit the staff that OESP needed, especially a new director. He had urged the Comptroller General to bring in someone who had fresh perceptions of energy problems and who would be less inhibited by the GAO climate and organization. The person selected was Monte Canfield, Jr., a former Bureau of the Budget and Department of the Interior official who was completing work as deputy director of the Ford Foundation's En-



**THE ENERGY PROBLEM IS SYMBOLIZED** here by gasoline lines stretching as far as the eye can see along Rockville Pike in Maryland.

ergy Policy Project. Hughes also encouraged the Comptroller General to bring in staff having backgrounds in other than accounting and business who would be more willing to take risks and focus more on the present and future than the past. His theory was that such recruits would attract still others having similar skills and inclinations. Not all in GAO agreed that this approach was appropriate for an audit organization, but Hughes' approach prevailed, the objective being to advance the cause of program results reviews.

OESP's Energy Projects staff was responsible for developing overall plans and objectives for GAO's energy-related efforts. Its strategy was to try to do a lot of problem anticipation. For example, its first report on nuclear reactor development examined the past, present, and future of the liquid-metal fast breeder reactor program then being given highest national priority. In the materials area, which the new office had also been assigned, OESP tried to do work anticipating possible shortages. The thrust was toward the future, that is, equipping the Congress and the world in general to better see problems coming.

In September 1974, OESP was renamed the Office of Special Programs. It retained its responsibilities for (1) GAO-wide planning and coordination of energy and materials studies, (2) special studies in these areas, and (3) regulatory reports review. It also acquired lead division responsibility for GAO's work on food programs.<sup>13</sup>

Meanwhile, the Government's energy activities were also undergoing transformation. The Atomic Energy Commission's responsibilities were split into two new agencies—the Nuclear Regulatory Commission and the Energy Research and Development Administration. On October 1, 1977, that latter agency, FEA, and other energy activities were combined under the newly formed Department of Energy. The laws establishing these agencies and other laws shaping U.S. energy policy gave GAO increased authority and responsibility for reviewing energy activities:

- The Federal Energy Administration Act of 1974 mandated the Comptroller General to "monitor and evaluate" FEA's operations by conducting four specific types of studies, including review and evaluation of FEA's collection and analysis of energy data.<sup>14</sup>
- The Energy Policy and Conservation Act of 1975 authorized the Comptroller General to conduct independent verification examinations of energy data, including authority to inspect the books and records of private persons and companies under certain conditions, even when there was no contractual relationship between the private entity and the Government.<sup>15</sup>

- The Energy Conservation and Production Act of 1976 established a Professional Audit Review Team, the chairman to be designated by the Comptroller General, to review energy information activities.<sup>16</sup>

In June 1976, the Comptroller General established the Energy and Minerals Division and gave it audit responsibility for the major Federal energy and minerals agencies and for interrelationships among all Federal departments, agencies, and programs involving energy and minerals. RED became the Community and Economic Development Division and assumed responsibility for the food programs work formerly housed in the Office of Special Programs, EMD's predecessor. The regulatory reports review functions mandated by the Trans-Alaska Pipeline Act were transferred to the General Government Division.

Thus, OESP, which had a special mission and was populated by staff drawn from both within and outside GAO, evolved into a regular audit division. However, it continued to retain its former character under Canfield. When both he and Hughes left GAO in the late 1970's, leadership was assumed by J. Dexter Peach, the career GAO employee who had helped get the new unit started. Many of the vestiges of EMD's original mold remain in place, and all of GAO has been influenced by its evolution.

#### PROGRAM ANALYSIS WORK

At the time OESP was established in December 1973, the Congress was still 6 months away from giving its final approval to the Congressional Budget and Impoundment Control Act, but the functions GAO would assume under the act had already crystallized. The Office knew that its program evaluation role would be strengthened and that it would get increased program and budget information responsibilities. Originally, OESP was slated to take on these added functions, and Monte Canfield came to GAO with the idea he would be involved in both energy and the budget.

After a while, it became apparent these two jobs were too large for any one person or organization. Therefore, in September 1974, the Comptroller General established an Office of Program and Budget Analysis (OPBA) to help support the new congressional budget process. Harry S. Havens, previously with OMB, became its first director 1 month later.

In outlining how the new office would operate, the Comptroller General said: "OPBA will identify and evaluate major budget issues using multidisciplinary teams capable of assessing the options and the economic, financial and social impacts of different actions."<sup>17</sup> Specifically, OPBA's responsibilities included:

- macroanalysis of major budget and fiscal issues,
- budget-related revenue analysis,
- analysis of executive budget and supporting data,
- coordination of GAO-wide support of the congressional budget process,
- impoundment review and reporting, and
- liaison with the Congressional Budget Office and the Budget Committees.

OPBA was to employ professional specialists in the various budget functional areas—national defense, transportation, agriculture, and so forth. GAO divisions and offices would carry out their normal program evaluation work as in the past, but OPBA was to use the results of that work in

its budget studies, and the other divisions and offices were to support OPBA's studies as necessary. GAO's divisions had been accustomed to operating autonomously, so this blueprint for mutual cooperation represented a significant departure from past practices—one not welcome by most segments of the organization.

When OPBA was created, the Congressional Budget and Impoundment Control Act had just been enacted and the Congressional Budget Office (CBO) was not yet in existence. Although both GAO and CBO would clearly have important responsibilities under the act, it was not clear how those responsibilities would differ. Under these circumstances, OPBA was to be the focal point for any of GAO's responsibilities under the act that did not fit readily into GAO's existing

## A Separate Organization Reviews Energy Information

*In the 1970's, the lack of credible energy data and analyses not only made it hard for the Congress, the President, and the executive departments to evaluate the array of energy alternatives facing the country but also contributed to the widespread public skepticism over the seriousness of the energy crisis. Therefore, the Congress provided for an independent Office of Energy Information and Analysis in FEA to gather energy data and furnish statistical analyses and forecasts. In 1977 these duties were transferred to the Energy Information Administration (EIA) with the creation of the Department of Energy.*

*One of the smallest and probably least known organizations spawned by the energy crisis is the Professional Audit Review Team, which looks and acts more like a board or commission, and was formed in 1976 to oversee Federal energy data collection and analysis activities and report to the Congress and the President.*

*The review team consists of representatives appointed by five Federal agencies involved in data collection and analysis—the Securities and Exchange Commission, Bureau of Labor Statistics, Federal Trade Commission, Bureau of the Census, and Council of Economic Advisers. The chairman is appointed by the Comptroller General, and in its 4-year existence, the two incumbents have been career GAO officials in the Energy and Minerals Division (EMD).*

*The team meets periodically, at the call of the chair, to plan and review the progress of its work and to discuss report drafts. The staff work is conducted by two full-time GAO staff members and a part-time staff director and such other persons as are needed during peak periods. Personnel costs and other expenses are funded by the participating agencies (mostly GAO); there is no separate appropriation or other source of funds.*

*So far, the team has issued three annual reports. The first, issued in December 1977, was quite critical of many aspects of the then Office of Energy Information and Analysis' activities. It cited limited progress in meeting legislative requirements, a lack of independence from the energy policy function, and the absence of means to determine the credibility of the computer model used to make many analyses. The team's second report was much more positive in commenting on the newly created EIA.*

*The third report, issued in 1980, occupied a middle ground by praising the continued independence of the data collection and analysis function and several recent EIA accomplishments, but it pointed out a need to (1) place more emphasis on validating energy information, (2) improve implementation of plans to improve the credibility of energy models, and (3) conduct user surveys in developing a National Energy Information System.*

*The team's reports look and read a lot like GAO reports, but neither the Comptroller General nor the Director, EMD, exercises any direct supervision or review of the draft reports. The other Federal agency representatives participate as equal partners and would likely object to direct control in any way by GAO. The staff is preparing a detailed work plan following the GAO format, but the committee passing judgment on it will be the team and not any GAO planning body.*

*Interest in energy information continues on the Hill, so the team could be in business for many years to come.*

organizational structure and methods of analysis. Thus, OPBA's structure emphasized two dimensions of analysis, both centering on budget decisions. The first was analysis, grounded in economics, of overall fiscal policy and the economic impact of program alternatives. The second dimension was analysis of the program impact of alternative budget strategies.

During the early part of the winter of 1974-75, this focus appeared reasonable. Indeed, it was validated by a request from the House and Senate Budget committees that GAO (through OPBA) and the Congressional Research Service cooperate in supporting a "dry run" of the new budget process. In effect, the two agencies were asked to fill a void left by CBO's delayed activation.

By the spring of 1975, however, OPBA's environment began to change. CBO was beginning to take shape, and its organizational structure and stated areas of emphasis raised concern about potential overlap with OPBA. Then came the Senate Budget Committee Chairman's reaction and the cutback in OPBA funding previously discussed in chapter 6. As this was occurring, the Comptroller General changed OPBA's name to the Office of Program Analysis. Shortly thereafter, the Congressional Information Services Group, which was responsible for carrying out GAO's program and budget information duties and had a staff of 66, was transferred from the Financial and General Management Studies Division to the new office. The transfer had the effect of consolidating in the Office of Program Analysis those GAO responsibilities under the budget act which were Governmentwide in character.

It became clear during this period that some elements of OPBA's original mission were no longer appropriate for the Office of Program Analysis. Accordingly, its mission was redefined; from then on, it would:

- Prepare analyses having a broad perspective, particularly where economic factors are important and major program implications are involved.
- Provide leadership and assistance in focusing GAO's analytical resources to support congressional decisionmaking processes for such major program issues.
- Improve the usefulness of and access to Federal fiscal, budgetary, and program-related information for the Congress.
- Increase the effectiveness and improve the quality of evaluation studies provided to the Congress.
- Provide leadership in fulfilling GAO's responsibility for reviewing, monitoring, and reporting to the Congress on executive branch impoundment actions.<sup>18</sup>

Because of the increasing responsibilities assigned to the Office of Program Analysis and the

significant increase in the size of its staff, an organizational change, effective July 4, 1976, designated the office as the Program Analysis Division (PAD). The basic mission remained the same, except for transfer of the impoundment control responsibility to the Office of the General Counsel. (See ch. 15.)

From the creation of OPBA through mid-1977, there was confusion inside GAO about the role of the new organization vis-a-vis that of the more traditional operating divisions. Such confusion was unavoidable given the nontraditional mission and staff composition of PAD.

Unlike most of the other divisions, PAD was staffed largely with specialists, representing disciplines which had previously not been found in substantial numbers in GAO. The only divisions having a similar concentration of specialists, FGMSD and EMD, had missions which were markedly different from that of PAD. EMD's mission was like that of most other operating divisions in that it was defined in terms of the issue areas, operating agencies, and programs for which it was responsible. FGMSD used its specialists to provide technical assistance to operating divisions. PAD, on the other hand, was expected to make certain sorts of reviews—like any other operating division—but its mission was defined primarily in terms of the skills to be employed and the nature of the analysis, rather than the agencies or programs to be reviewed.

The resulting controversy centered on PAD's responsibility for evaluation studies and studies based on economic analysis. That controversy, which had produced periodic disagreements with other divisions over individual reviews, came to a head at a Program Planning Committee meeting on May 31 and June 1, 1977. The uncertainty expressed by the other divisions about PAD's role led the Comptroller General to conclude that the time had come to clarify PAD's mission and responsibilities.

Two weeks later, Staats prepared and circulated a paper which (1) identified several issue areas for which PAD was to be responsible, (2) stated explicitly that PAD would do work in these issue areas that would affect programs within the jurisdiction of other divisions, (3) emphasized the need for interdivisional cooperation and agreement in these reviews, and (4) established a means of resolving any disputes.<sup>19</sup> The issue areas assigned to PAD at that time were:

- evaluation guidelines and methodology,
- congressional budget and program information,
- tax policy,
- regional and national economic problems, and
- alternative approaches or methods to achieve Federal program objectives.

In October 1977, a small segment of the Procurement and Systems Acquisition Division was transferred to PAD. This group was responsible for coordinating with the Office of Technology Assessment, supporting the Comptroller General as a member of the Technology Assessment Advisory Council, and providing Staats staff support involving science policy matters. Later, the National Science Foundation audit function was transferred to PAD, and it was assigned overall planning responsibility and leadership for the science policy issue area.

The position of GAO Chief Economist was established in PAD on September 18, 1978, to emphasize the emerging importance of this discipline in GAO's work and to ensure the availability of high quality advice on economic matters for the Comptroller General and other senior GAO officials. Specifically, the position was established to provide more economic analysis in GAO reviews of Federal programs and policy and to better ensure that GAO presented to the Congress clear and consistent positions on economic matters.

By the end of 1979, PAD's functions had stabilized under four major issue areas—science policy, evaluation guidelines and methodology,

program and budget information for congressional use, and economic analysis of alternative program approaches—with organizational units to match. As was the case with EMD, PAD began operating and looking more and more like other GAO divisions, but it retained some of the unique character associated with its origins and the staff who populated it. Also like EMD, its original director was succeeded by a career GAO official, Morton A. Myers. The turf battles seem to have subsided, and PAD has become generally accepted by the rest of GAO.

#### **INSTITUTE FOR PROGRAM EVALUATION**

Yet another new organization was created in April 1980, this time to help ensure that GAO used the best available methodology in its work. The institute was mentioned briefly in chapter 3 in connection with the evolution of GAO's evaluation capability. Its origins are also discussed in chapter 11 as part of the discussion on GAO's methodology. The focus here is on how the institute was organized, staffed, and expected to operate.

As was the case with predecessors to EMD and PAD, the institute was placed under the direct supervision of an Assistant Comptroller Gen-



**COMPUTER SPECIALIST TERESA RENNER DEMONSTRATES NEW COMPUTER APPLICATION** to fellow Program Analysis Division staffers (l. to r.) Dorothy Fegan, Ron Ramsey, Lou Fernheimer, and Gloria Hernandez

eral, this time Harry Havens. In a departure from past practice, however, the Comptroller General announced that the person selected to head the institute would have an established reputation in the program evaluation community. The organization was put on notice that someone from outside would be hired—even before a search for candidates had been conducted. Eventually, Eleanor Chelimsky, a Mitre Corporation executive and president-elect of the Evaluation Research Society, was selected.

Most of the institute's initial staff were drawn from PAD's program evaluation group and part of FGMSD's technical assistance group. The institute's initial duties were to:

- Provide technical assistance to GAO operating staffs with increased emphasis on project design.
- Develop evaluation methods as required by title VII of the budget act.
- Make program evaluations to demonstrate new or improved methodologies.
- Update GAO policy guidance to make sure that it reflects the best current practices for conducting program evaluations.
- Develop a professional interchange program with other evaluation organizations.
- Maintain a visiting committee of evaluation experts.<sup>20</sup>

Following 2 months of studying her new mandate and successfully recruiting a deputy, also from outside GAO, Chelimsky outlined the institute's new organization in September.<sup>21</sup>

Members of the Evaluation Research and Diffusion Group are to have “carte blanche” to conduct program evaluations in any substantive areas where they can contribute by demonstrating new techniques, using old techniques in a new way, or testing recently developed evaluative or analytical tools in a real-world environ-

ment. The group is to be as concerned about how evaluations are used by program managers, legislators, and others as it is about how the evaluations are conducted. One project planned is to examine different GAO management levels' perceptions of how GAO reports are and should be used. The goal is to help people conducting evaluations tailor their information so that it has optimal potential for being used and acted upon.

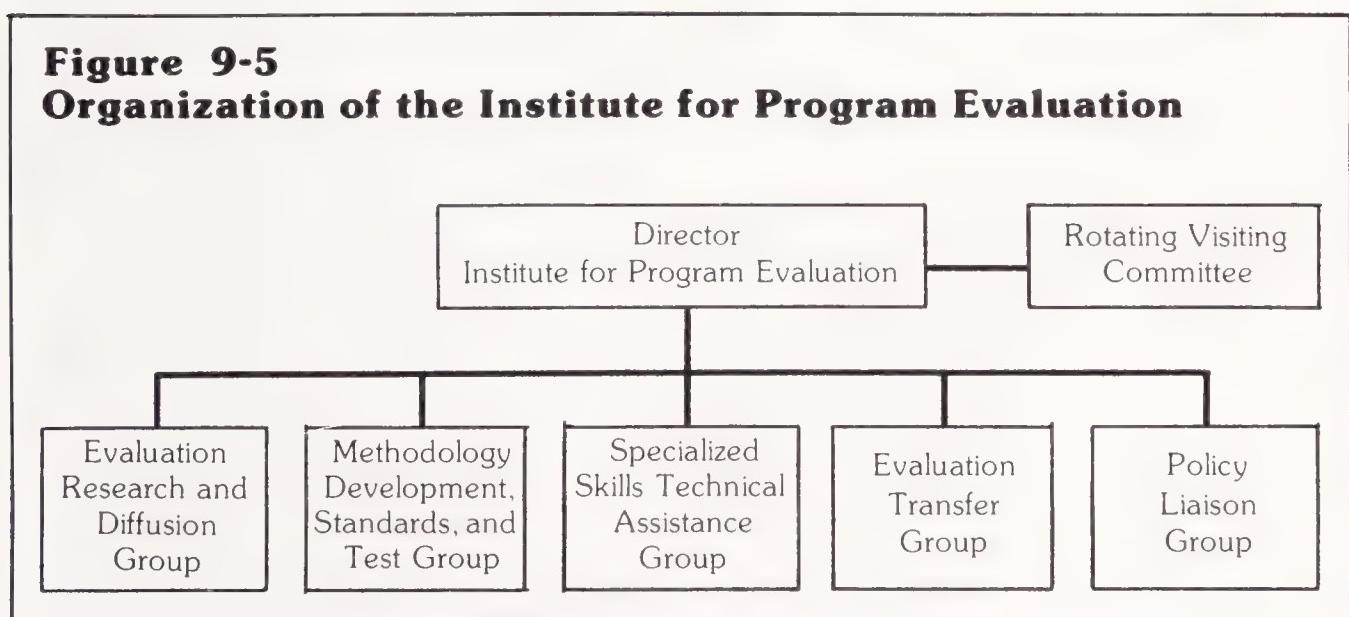
The Methodology Development, Standards, and Test Group is to take a practical approach, focusing on structuring new ways of doing things for which there is a documented need. This group also is to be responsible for spreading the word among agencies and congressional staff about ways of conducting evaluations, use of data, appropriateness of analytical techniques, and so forth. “In effect, the group is GAO’s intelligence arm for methodology,” Chelimsky said. It plans to develop an inventory of existing data bases maintained by Federal, State, county, and municipal governments and to devise ways of making the data compatible.

The Specialized Skills Technical Assistance Group—in essence, the technical assistance group transferred from FGMSD when the institute was established—is to continue making statistical analyses, developing questionnaires and surveys, and providing other assistance, as well as applying new techniques developed within the institute.

The Evaluations Transfer Group is to work with Personnel to teach evaluation techniques to GAO staff members and to follow up on technical assistance. “In size and scope, this may be the biggest effort ever undertaken by any agency in methodology training,” Chelimsky noted.

The institute's Policy Liaison Group maintains liaison with the research community, Government evaluation organizations, congressional staff, and agencies. One of its projects is to help congressional staff members make hearings more

**Figure 9-5  
Organization of the Institute for Program Evaluation**



effective by helping them understand evaluation procedures so they can ask pertinent questions. The policy group also works closely with a Rotating Research Visiting Committee. The six members of this consultant panel serve 1-year terms, during which they meet periodically with the institute's staff.

## Reorganizing The Handling Of Defense Issues

Although it was generally agreed that the 1972 reorganization had served the Office well, a feeling persisted that GAO's work in the national defense area was not as effective or well coordinated as it could be. In June 1980, four management vacancies opened up through retirements and departures and created an unanticipated opportunity for GAO to take a look at its defense-related efforts. The Comptroller General delayed filling these vacancies and commissioned Robert Moot, former Assistant Secretary of Defense (Comptroller), to conduct a special study of GAO's defense work and organization. The study focused on these questions.

- Is GAO properly organized to carry out defense work?
- Are defense-related issue areas scoped in the most logical manner?
- Have things changed since the 1972 reorganization to suggest a restructuring of areas of responsibility between the Procurement and Systems Acquisition Division (PSAD) and the Logistics and Communication Division (LCD)?<sup>22</sup>

Following 3 months of study and discussion with people in GAO, the Congress, the Department of Defense, and elsewhere, Moot presented his views to the Comptroller General. He said GAO should (1) add emphasis to effectiveness work through more reviews of military forces' capability to accomplish their assigned missions, (2) provide for comprehensive review of defense force structure from "development to deployment," and (3) merge LCD and PSAD. He advocated that GAO reaffirm its policy not to question U.S. foreign policy or military threat assessment or force plans, but recommended that it examine the operation of Government-wide functions to determine the efficiency and economy with which resources are used. For the merged division, Mr. Moot suggested an organizational structure along DOD mission lines, such as strategic forces, general purpose forces, and research and development. The division would also retain jurisdiction over some civilian agencies, such as the National Aeronautics and Space Administration and the Office of Federal Procurement Policy.

Rather than implement these recommendations, the Comptroller General opted to give

those who would have long-range responsibility for managing defense activities an opportunity to assess their merits and consider other possible options. He turned this job over to Thomas D. Morris, the former GAO official who had been so intimately involved in the 1972 reorganization and who had headed GAO's defense work in the early 1970's. Morris was appointed Special Assistant to the Comptroller General in charge of LCD and PSAD and was made responsible for developing final recommendations to the Comptroller General by December 31, 1980.

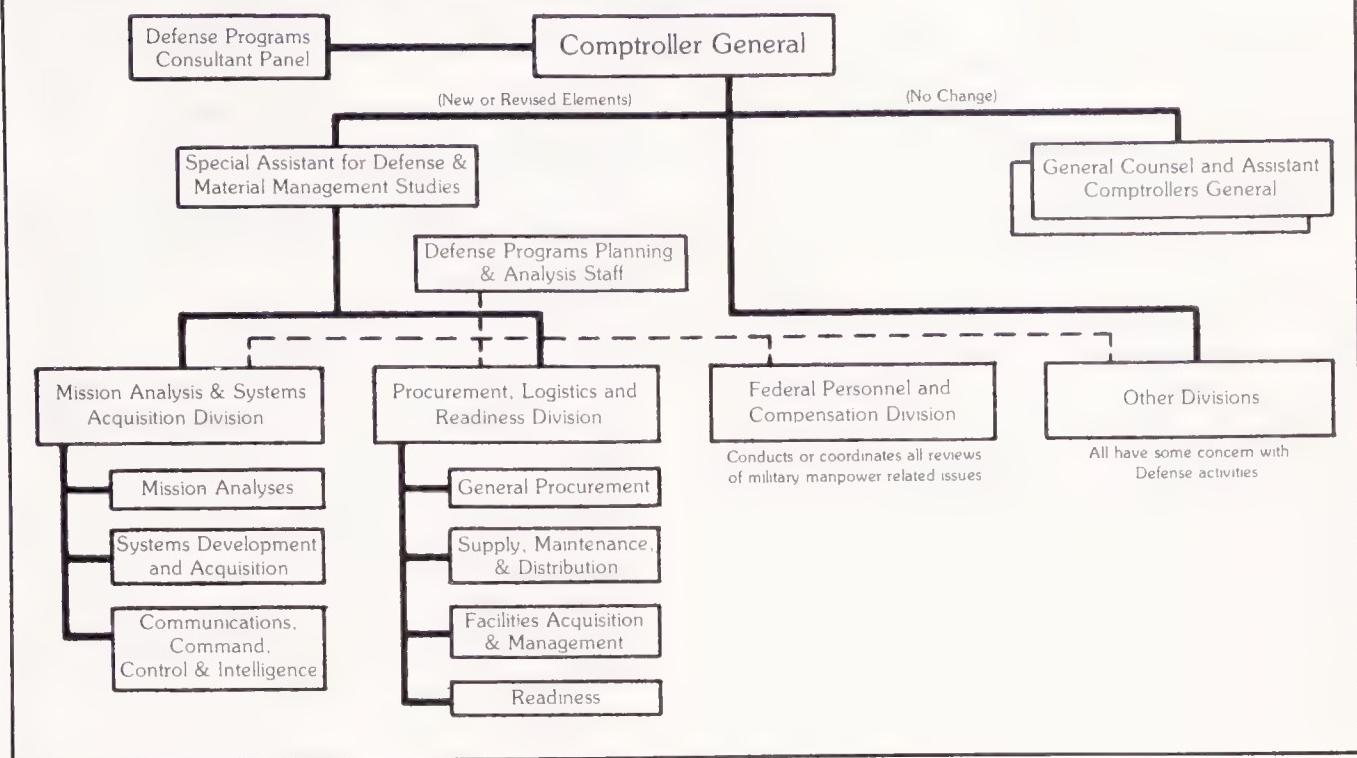
Although the Comptroller General made no organizational changes at the time of Morris' appointment in September 1980, he said: "It is clear to me \* \* \* that changes—some rather fundamental—must be made to strengthen our effectiveness in the defense area." Staats had no preconception about what kind of organization GAO should have when he launched the Moot study. Even after the study was completed, he had no resolution in mind more specific than that a change was needed to give greater stress to defense issues while preserving its Government-wide character, consistent with the concepts underlying the 1972 reorganization.

Morris completed his work a bit ahead of schedule, enabling the Comptroller General to announce the specific organization changes on December 22. First, he established a small but very senior Defense Programs Planning and Analysis Staff to conduct continuous studies of defense issues and to delineate problems warranting greater coordination between divisions, especially by the formation of joint teams. Second, he realigned the responsibilities of PSAD and LCD into two new divisions—the Mission Analysis and Systems Acquisition Division and the Procurement, Logistics, and Readiness Division—to obtain a better focus on key issues and congressional concerns. The goal was to enhance the contribution of GAO's reviews of major weapons and other systems involving large investments, while at the same time focusing more attention on readiness, economy, and efficiency.

To exercise direction and oversight of these new units on behalf of the Comptroller General, Morris was appointed Special Assistant for Defense and Material Management Studies. The revised divisions are to remain fully separate entities like other GAO divisions. In addition, to help develop GAO's plans across the full spectrum of mission analyses, manpower, systems acquisition, procurement, logistics and readiness, a Comptroller General Consultants Panel on Defense Programs will be established. The revised organization is shown in figure 9-6.

Although cautious at first to make basic changes in GAO's organization structure, the Comptroller General gradually molded the structure to make it more capable of carrying out its

**Figure 9-6**  
**Headquarters Organization To Conduct Defense And Material Management Studies**



missions. Without the 1972 reorganization, it is unlikely GAO would have moved as far as it did toward reviewing Federal activities without regard to organization boundaries in the executive branch. To put it simply, the Office was organized in 1966 to review activities of Federal agencies. Today, issue areas that often cross agency organizational boundaries dominate the way GAO plans and executes its work. However, the tendency in Congress and the executive branch even today is to focus attention often on organization rather than program, function or mission. GAO filled the gap resulting from the focus on organization by means that included organizing its own operations along program and functional lines.

1. U.S. General Accounting Office, *Annual Report of the Comptroller General, 1949* (Washington, D.C.: GPO, 1950), pp. 56-57

2. U.S. General Accounting Office, *Annual Report of the Comptroller General, 1955* (Washington, D.C.: GPO, 1956), p. 94.

3. U.S. General Accounting Office, *Annual Report of the Comptroller General, 1957* (Washington, D.C.: GPO, 1958), p. 230

4. U.S. Cong. House, Committee on Government Operations, *The General Accounting Office*, 84th Cong., 2nd sess., H. Rept. 2264 (Washington, D.C.: GPO, 1956), pp. 1-24.

5. Comptroller General Joseph Campbell, Memorandum, "Outline of Planned Changes in Organization and Operations," 30 Nov. 1955, pp. 2, 4

6. Comptroller General Campbell, Memorandum of 30 Nov. 1955, pp. 3-4.

7. H. Rept. 2264, pp. 23-24

8. Charles E. Hughes, "The Overseas Offices of the General Accounting Office," *The GAO Review*, (Summer 1971), p. 136

9. "News and Notes," *The GAO Review*, (Winter 1967), pp. 74, 76.

10. David P. Sorando, Manager, Washington Regional Office, Memorandum to Director, Office of Management and Planning Services, 24 June 1971

11. Comptroller General Staats, Memorandum to all employees of the General Accounting Office, 25 Jan. 1972

12. Comptroller General Staats, Memorandum to heads of divisions and offices, "Organizational Changes in the General Accounting Office," 14 Dec. 1973.

13. "Further Modifications in GAO Organization," *GAO Management News*, 16 Sept. 1974, p. 2.

14. 15 U.S.C. 771(a) (1974), Federal Energy Administration Act of 1974

15. 42 U.S.C. 6381, sec. 501, Energy Policy and Conservation Act.

16. Public Law 94-385 (Aug. 14, 1976), Energy Conservation and Production Act

17. *GAO Management News*, 16 Sept. 1974, p. 2.

18. Deputy Director, Program Analysis Division, Memorandum to Special Assistant to the Comptroller General R. L. Sperry, 3 Mar. 1980, attachment, p. 3.

19. Executive Secretary, Program Planning Committee, Memorandum to Program Planning Committee, 5 June 1977, attachment

20. Comptroller General Staats, Memorandum to heads of divisions and offices, 18 Apr. 1980, p. 5

21. "Group Heads Named for Program Evaluation Institute," *GAO Management News*, 16 Sept. 1980, p. 2

22. "What Is the Best Way for GAO to Deal with Defense Issues?" *GAO Management News*, 10 June 1980, p. 1

23. Comptroller General Staats, Memorandum to heads of divisions and offices, 22 Dec. 1980

# Chapter 10

## Program Planning

GAO did little central planning and programming of work prior to 1966. In those days of simpler missions, the headquarters divisions and regional offices scheduled staffs and jobs rather independently, using processes that best met each unit's perceived needs. Audit topics, other than those assigned by congressional requests and work required by statute, were chosen almost entirely at the operating level. The results typically were very useful in addressing narrow or transient problems but seldom touched on larger matters outside the bounds of a single Federal agency or program.

During the period 1966-81, GAO moved toward a larger, more substantive function associated more with broad national issues. In this environment, management believed that better planning was necessary to make maximum use of resources. In addition, it would make GAO's work more timely and relevant by anticipating congressional needs for information and other support. The approach would require acclimating the institution to strategic planning concepts.

After much cutting and trying, the Office put in place a system of planning, programming, and scheduling in the context of national issues—energy, transportation, military readiness, occupational safety, and the like. As shown in chapter 9, the headquarters divisions were reorganized to match. Not everyone was entirely satisfied with the details, but the system and its objectives seemed to be sound and to be functioning reasonably well. Eventually about 90 percent of the GAO work was classified as falling within the program plans developed through this system.

What made this planning necessary was GAO's legal charter. Various laws authorize the Office to select audits, reviews, and evaluations on its own in addition to work generated by specific congressional request or mandated by law. For instance, the Legislative Reorganization Act of 1970 requires the Comptroller General to:

\* \* \* review and analyze the results of Government programs and activities  
\* \* \* when ordered by either House of Congress or upon his own initiative  
\* \* \*

Almost two-thirds of GAO's work fell in this category. Topics of likely interest to the Congress, of course, got the greatest emphasis. Priority was given to audits and evaluations of ongoing Federal programs, studies of alternative solutions to important problems, and opportunities to reduce program costs.

How GAO came to recognize the need for better planning and to develop a system is this

chapter's tale. It starts by describing where the planning rudiments began—at the working level.

### The Bottoms-Up Process Of Job Selection

GAO's own choice of assignments under its statutory responsibilities has traditionally germinated at the local level. During the Warren and Campbell years, GAO established audit sites in Federal agencies and expanded its field staffs following the advent of corporation audits, comprehensive auditing, and onsite contract auditing. There, auditors in the course of ongoing work spot "pay dirt": instances of waste, inefficient operations, departures from policy and regulations, or other anomalies and propose audits of them. Alert auditors also find leads in the public media and elsewhere.<sup>1</sup>

Many worthwhile audit subjects emanated from the "bottom up" in the 1950's and 1960's, as they still do. Suggestions from regional office and headquarters operating staffs continued to be the chief source of study subjects. But lacking central coordination, as in the early 1960's, the audit subjects chosen were sometimes parochial or fragmentary or overlapped work done elsewhere in GAO or by other institutions. Some audits were undertaken not so much on merit as to use available time of staff assigned at given locations. The headquarters groups and audit sites, loosely linked, were strictly Federal agency oriented, and undertook few Governmentwide studies. There was rivalry in those days among and within the divisions, heightened by an incentive system in some units that valued high-visibility audit topics and quantity production of reports. Schedules were often unattuned to congressional timetables, and work proceeded at its own pace, though sometimes interrupted by more pressing matters.

### Top Management Initiatives Needed At "The Front End"

The situation was largely beyond top management's control. The Comptroller General had no practical means of influencing what work got into the pipeline and had little say until finished reports emerged for signature. It was then too late to reverse assignment choices or undo the hundreds, perhaps thousands, of staff-days spent on a review of transient value. There could be little accountability for resources expended versus results achieved.

The rising need for centralized coordination was manifested publicly in the Holifield hearings of 1965. (See ch. 1.) GAO was roundly criticized for, among other things, repetitive, narrow re-

ports and lack of timeliness. The new Comptroller General, 2 months after entering office in March 1966, outlined his intent to install comprehensive planning and control and informed Congressman Chet Holifield in a July 1966 letter (B-107471). Though the first efforts were at the division level, the need for GAO-wide planning soon became apparent. Management would have to revive the organization, induce a sense of urgency in scheduling, and bring more order and wider horizons to the choice of audit subjects.

## How Program Planning Emerged

Due to the unique character of the institution and the new courses being pursued, developing an effective planning process took considerable work and study. Having no planning models to reference, the only feasible approach was a pragmatic one: to try various approaches to see what worked and what did not and to engage the staff in rethinking GAO's missions and how to go about them. It was slow going, especially to convince largely autonomous officials accustomed to exploiting targets of opportunity that there were virtues in scheduling finite staff-days, job milestones, and assignment completion dates according to a plan and subject to centralized control.

Two steps got the process going. A Program Planning Committee (PPC), consisting of the Comptroller General and senior GAO officials, was formed in July 1967 to review short-range (6-month) and long-range (3-year) plans then required of the operating divisions.<sup>2</sup> At the same time the first Office-wide program planning staff began functioning led by Assistant to the Comptroller General Lawrence J. Powers and Assistant Director Harry C. Kensky. It was charged with providing leadership in devising a programming, scheduling, and reporting system for GAO. In

the beginning this activity consisted mainly of reviewing work plans prepared by the divisions and analysis and projections of staff-hours and job milestones.

The long-range plans prepared by the three audit divisions in the 1960's forecasted staff resources and use by "responsibility area," the scope of division subunits which, in turn, conformed to the organizational lines of the executive agencies and bureaus for which they had audit responsibility. The plans projected staff-year requirements by "lines of effort" (see p.140) and major jobs expected to start in both the short-range and long-range timeframes.

In the early years, the long-range plans were put together by the audit staffs. Apart from a few groups which had been experimenting with a three-legged management structure that included a planning officer, few people in the divisions had full-time responsibility for planning. Auditors accustomed to going from one job to the next were unfamiliar with planning concepts and uncomfortable with predicting what they would be doing 6 months from now, let alone 3 years ahead. The very idea seemed to threaten their freedom to choose targets of opportunity as they came along. Preparing the plans also disrupted ongoing work as the staffs typically interrupted projects for several days to prepare the new and extensive documentation required.

During a series of meetings called the "fall review," the Program Planning Committee reviewed the divisions' long-range plans with division management and the staff assigned to carry them out. To foster coordination and cross-fertilization of ideas, GAO officials with similar responsibilities were encouraged to attend. In reality, most of the sessions turned out to be "dog and pony" shows where staff described their showcase jobs and tried to impress their



**THE PROGRAM PLANNING COMMITTEE** meets on an issue area program plan

bosses with the priority of their responsibility area and the significance of the work planned. Even so, the sessions gave top management broader exposure to the working-level staff and enabled the Comptroller General to convey his own ideas about what work should be undertaken.

The divisions' short-range plans listing assignments to be performed in the next 6 months, completed in November and May, were to be resource allocation and planning tools for the regional offices. But the work actually begun deviated so much from what was shown in these plans that they were eventually abandoned.

Still this kind of planning was a start. It brought top management in at the front end, when proposed assignments were weighed and chosen. Entry into the pipeline could be controlled to some degree. Nevertheless, the range of job choices stayed within the traditional bounds of agency jurisdiction and jobs proposed in the plans sometimes bore little resemblance to those actually conducted.

No one, however, was completely happy with this planning arrangement. The Comptroller General and his staff were not satisfied that work was being channeled into the most significant areas or that staff were being deployed to best use. The divisions and their subordinate units were too compartmentalized to take on many Governmentwide reviews. The audit staff was frustrated as well about the paperwork requirements and work interruptions that planning entailed.

Most of these doubts were confirmed when, in February 1971, the Comptroller General appointed a top-level Committee on Planning Improvement chaired by Gregory Ahart to assess existing procedures. In its report issued 4 months later, the committee described a "fairly general belief" that the context and timeframes of the required planning documents were not compatible with the manner in which work must actually be planned and managed. Thus the documentation was counter-productive in taking staff away from ongoing work and lowering morale. The committee made several recommendations, principally to:

- Abolish the short-range planning documentation.
- Modify long-range plans to eliminate descriptions of individual assignments but expand discussions of the responsibility area, factors affecting its significance, the major lines of effort, and planned changes in them.
- Establish a planning staff, the Office of Program Planning (OPP), responsible directly to the Comptroller General to (1) assist with changes to overall Office objectives and goals, responsibility area definitions, and priorities to be given through resource allocations, (2) translate Comptroller General decisions into planning guidance, (3) mon-

itor implementation, and (4) help determine and acquire future resources.<sup>3</sup>

A few weeks later the report was discussed and unanimously endorsed by a joint meeting of GAO's regional managers and division management. This set the stage for the next major developments.

## The Issue Areas Context

Issue areas were the next big change in planning. They were implemented in 1972, but the thinking about them had begun much earlier. In October 1967, only a few months into the implementation of program planning, the Comptroller General furnished guidance to his division heads on "areas of special or continuing interest," broad subjects and issues, to help them develop work programs. These were subjects covered in congressional testimony and potential audit areas of "Office-wide interest." Among them were management and control of data processing activities, supply management, Office of Economic Opportunity programs and activities, and user charges. More memorandums followed, usually after a planning cycle was completed; each was a bit more specific than the last, stressing the need for programming this type of work.

In December 1969 the director of the program planning staff provided his own list of areas he thought the Civil Division should address.<sup>4</sup> Undertaking reviews of these issues posed problems for the divisions, and even though the Comptroller General and his planners wanted this type of work done, they were not getting enough of it.

Meanwhile, events were occurring in another part of GAO that contributed to this new approach to planning. In the 1960's the Seattle Regional Office, 3,000 miles from headquarters, found itself initiating much of its own work. To improve the relevance of this work, Seattle started experimenting with molding new jobs so as to address not only the immediate audit subject but also to make a contribution in broad issue areas of importance to the Congress and the country. This approach intrigued the Comptroller General, who had been looking for a medium to relate GAO's work to larger affairs. William N. Conrardy, Seattle Regional Office Manager, was brought to Washington in 1972 to head up the Office of Program Planning, develop these ideas further, and address the problems of the existing system.

Conrardy drew up some 56 national issues as possible categories for GAO work and circulated them for review and comment. There were two kinds: (1) national concerns needing resolution or broad opportunities worth exploiting and (2) common Federal management functions whose effectiveness should be examined. A consensus emerged for about 20, following a process

of merging some issue areas and dropping others. As issue area program planning matured over time, some were dropped, others added,

and some merged. In November 1980 there were 37 issue areas assigned to the 11 operating divisions. (See Figure 10-1.)

## **Figure 10-1 GAO Issue Areas and Responsible Lead Divisions**

Food	Community and Economic Development Division
Domestic Housing and Community Development	
Environmental Protection Programs	
Land Use Planning, Management, and Control	
Transportation Systems and Policies	
Water and Water-Related Programs	
Consumer and Worker Protection	
Administration of Non-Discrimination and Equal Opportunity Programs	
Federally Sponsored or Assisted Education Programs	
Federally Sponsored or Assisted Health Programs	Human Resources Division
Federally Sponsored or Assisted Income Security and Social Services Programs	
Federally Sponsored or Assisted Employment and Training Programs	
Automatic Data Processing	
Internal Auditing Systems for Federal and Federally Assisted Programs	
Accounting and Financial Reporting	Financial and General Management Studies Division
National Productivity	
Facilities Acquisition and Management	
Military Readiness, Mobilization Planning and Civil Preparedness	
Federal Information—Creation, Protection, Access, Disclosure, and Management	
Communications	Logistics and Communications Division
Logistics Management	
Intergovernmental Policies and Fiscal Relations	
Law Enforcement and Crime Prevention	
Tax Administration	
Data Collected from Non-Federal Sources—Statistical and Paperwork Implications	General Government Division
Federal Oversight of Financial Institutions	
General Procurement	
Procurement of Major Systems	Procurement and Systems Acquisition Division
Program and Budget Information for Congressional Use	
Economic Analysis of Alternative Program Approaches	
Science Policy	
Federal Personnel Management and Compensation	Federal Personnel and Compensation Division
International Affairs	International Division
Energy Materials	Energy and Minerals Division
Evaluation Guidelines and Methodology	Institute for Program Evaluation

The new planning structure fitted well with the organizational structure which emerged in 1972. Chapter 9 described how the Office converted to functionalized divisions in the 1970's, even as the divisions continued their regular audit surveillance of particular executive agencies. The 1972 reorganization widened horizons considerably. Ten programing and functional divisions each with a wide reach were put in place. Obviously a division titled "Human Resources" or "Logistics and Communications" could have considerable scope, cross many agency borders, and acquire a good deal of knowledge about these matters. But which matters? It was not enough simply to list "environmental protection," "health," "energy," or "military readiness." These issues had to be explored, defined, bounded, and related to lines of work and ultimately to particular jobs.<sup>5</sup>

The rationale of planning by issue area was attractive. Management could have a practical context in which to judge the worth and relevancy of new jobs and to deploy staff more efficiently. More often than not, congressional requests could be shaped to fit these issue areas too. Most GAO work could be tied to matters that were—or soon would be—engaging the Congress.

Implementation of this planning process was uneven. Even though some issue areas were not yet well defined and research capability was limited, some divisions plunged right into developing issue area program plans. These experiments helped a great deal to hone the design. Other divisions, though willing, were slow to relate program planning to their own work and went through many program drafts to arrive at sound plans. One or two divisions were passive, going through the motions, as it were, but not

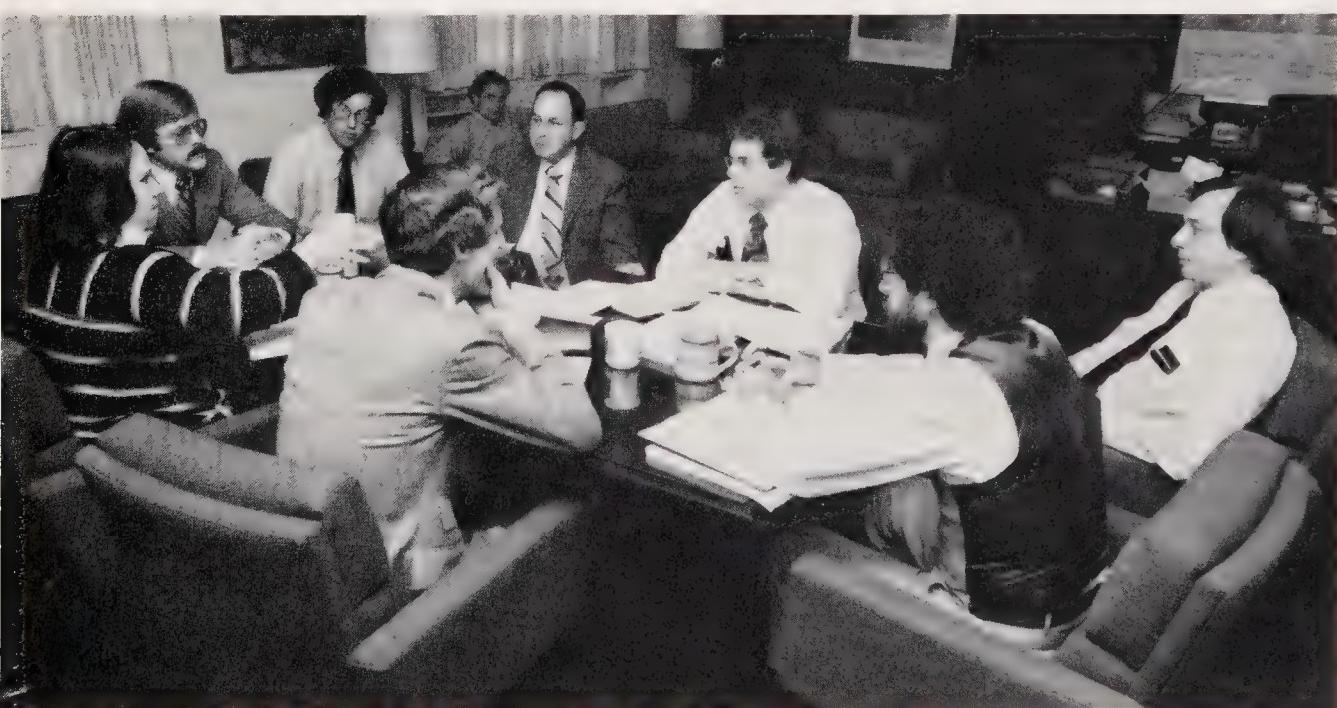
by any means sold on the idea. The planning process continued to evolve with an increasing sophistication in OPP.

The combination of issue areas and functionally organized divisions facilitated work that transcended Federal agency jurisdictions and focused more on the future. Illustrative of how issue area planning works is this PPC discussion about one facet of the issue area, "Federally Sponsored or Assisted Employment and Training Programs:"

*Impact of Energy Shortages on Employment. The impact of energy shortages on employment in this country could be immense. GAO needs to be thinking about the kinds of Federal programs which will be necessary to ease the resulting problems. As a first step we should be identifying who (if anyone) in the Federal Government is responsible for planning for this situation \* \* \* what employment shifts are likely? Where will the future jobs be? Do [the Government's] training and employment programs and policies recognize the potential impact of the energy crunch? What policy options are available?*<sup>6</sup>

As this passage shows, the resources and expertise in one division, Energy and Materials, can be drawn on by another, Human Resources, to address a related issue.

Despite the promising features of issue area program planning, some staff perceived it as a wrenching, unnecessary change. Secure and comfortable with the old informal work schedule and its short horizons, they were wary of such planning. Those who thought GAO work to be "unplannable" feared a loss of flexibility at the



**OPP STAFF MEET** to discuss an issue area program plan

operating level, intrusion from the top, irksome paperwork and coordination, and a tight rein on job choices.

## The Issue Area Program Plan Was The Central Focus Of The Process

The focus for issue area planning was the program planning document prepared by the responsible GAO division, i.e., the "lead division."<sup>7</sup> All divisions had at least one issue area, and they devised an "issue area program plan" for each. The plan spelled out the anatomy of an issue area—its scope, bounds, facets, and problems. It was essentially an amalgam of the previous short- and long-range plans describing what GAO intended to do in the issue area over the next 18 months to 2 years. The plan typically described several lines of effort, i.e., specific submissions, fields of inquiry, relevant tasks, and questions to be addressed within the issue area during the planning period. The plan also included the division's long-range (3- to 5-year) forecast of the issue area in more general terms. The issue area program plan was to be an evolving document, with each revision describing the accomplishments and resource use of previous lines of effort, whether ongoing, revised, or finished.

The lead division designed the program plan and proposed lines of effort and priority preferences with OPP advice and assistance. Divisions were asked to continuously examine, in preparing their plans, their issue area definitions, scope, and lines of effort. GAO planners researched the literature; conversed with the staff of other divisions; collaborated with congressional staffs;

and polled consultants and experts in the executive branch, congressional support agencies, and field offices and others. Some divisions held regular seminars, sometimes away from the Office, with discussion panels led by Federal agency and private industry specialists, as well as GAO executives.

The Comptroller General encouraged such conferences, as well as extensive regional office involvement, and continuously urged more systematic congressional input. (See ch. 14.) The idea was to explore the issue area thoroughly, identify all relevant lines of effort, and recommend priorities. Once the program plan was drafted, the division estimated staff and resources for each line of effort, totaling its own with that of other divisions and regional offices.

The process has permeated the Office's thinking. Program plans now cover about 90 percent



**OPP STAFF MEMBER** works with a lead division coordinator on his draft plan

## A Program Planning Conference Provides Input On Employment And Training Issues

GAO's Human Resources Division (HRD), preparing to update its employment and training issue area program plan, convened a 3-day meeting at the Department of Labor to hear discussion and views on how the division should allocate its limited resources to a myriad of problems associated with Government-assisted employment and training programs.

Among those addressing the conference were the Director of the President's National Commission on Employment Policy and staffs of congressional committees dealing with education, labor, health, welfare, Government operations, appropriations, and finance. Other guest speakers represented the Congressional Research Service and the Congressional Budget Office.

Among GAO'ers in attendance were some 20 representatives of 11 regional offices, 15 from various Department of Labor audit sites, and another 10 from HRD headquarters, the Program Analysis Division, and the Institute for Program Evaluation.

Meetings such as this one are increasingly typical in updating program plans. The GAO staffs came away from the conference with renewed appreciation of the complexities of social programs, new knowledge of congressional views and priorities, and regional office perspectives. The revised plan for employment and training prepared following this meeting took account of the results of this airing, and those from outside the agency who participated had an understanding of GAO's audit and evaluation role in employment training. Efforts such as these help guard against insularity in GAO's planning process.

of GAO jobs, and the issue areas form the base of GAO's annual budget request to Congress.

#### LINES OF EFFORT

Conceived in the late 1960's as a means for grouping individual jobs into a coherent subject area, a line of effort is basically a portion of an issue area reported in a program plan. Occasionally the line of effort embraced only one job but usually required a series of them. Planning instructions suggested that issue area and line of effort definitions not be so broad as to be all embracing or so narrow as to inhibit multiagency coverage—a difficult balance to sustain.

The listing of lines of effort changed over time. Originally, issue area program plans identified some lines of effort as "priority," others as "non-priority." Such a listing offered choices to top management to help direct the focus of the work. In practice, however, the staff preparing a plan often devoted most of its attention to describing lines of effort it considered to be priority and more likely to be accepted. A few nonpriority items were added, sometimes as an afterthought. Therefore, the real choices available to top management often were limited. As a result, in late 1980, priority designations were dropped since the divisions' proposed allocation of resources among lines of effort were deemed indicative enough.

The chart below shows three issue areas, related lines of effort and specific jobs planned under them.

Most lines of effort were to be designed to address a subject from beginning to end in a few years, each job contributing a logical piece of the total response. However, as always, that intent could be frustrated. Some lines of effort were

couched so broadly that almost any job could be fitted in so long as it brushed the basic subject area. This provided a means of going through the motions of planning but evaded the control wanted by top management.

#### LEAD DIVISIONS AND COORDINATION

Many issue areas were closely linked or cut across GAO division and Federal agency organization lines. For instance, matters in the issue area "energy" (Energy and Minerals Division) could not be pursued without due regard to "environmental protection" (Community and Economic Development Division). "Automatic Data Processing" (Accounting and Financial Management Division) was a management concern in almost every Federal agency and was encountered by all GAO operating divisions. (See Figure 10-3.)

Some Federal programs were not so "neat" as program planning would want to have them. Some programs were fragmented, and the aims of others were at cross purposes. Highway program goals, for instance, were not always compatible with housing programs.

The need for interdivisional collaboration became evident as issue area terrains were being defined and bounded. Two or more divisions might be pursuing their issue areas in a single Federal agency where still a third had continuing audit responsibility. Each division had to know what the others were doing or about to do. The 1972 reorganization created more divisions and their jurisdictions overlapped Federal agency organization lines, thus increasing the need for clarifying issue area responsibilities. Agencies were confused when contacted by several GAO teams, sometimes on seemingly overlapping audit topics.

**Figure 10-2**  
**Line-Of-Effort Examples**

ISSUE AREA	LINE OF EFFORT	TYPICAL ASSIGNMENT
Consumer and Worker Protection	Are death and serious disability caused by workplace hazards being reduced?	"Review of Grain Elevator Explosions" "Review of Causes of Workplace Fatalities"
Federal Procurement of Goods and Services	Assuring * * * maximum competition in procuring goods and services	"Competition for Negotiated Government Procurement Can and Should Be Improved" "Extent of Competition in DOD Relating to Foreign Military Sales"
International Affairs	Assessing U.S. security and commitment	"3d Country Sales and NATO Cooperative Weapon Program" "Common Funding Initiatives in NATO"

To bring some level of order to this confusion, GAO adopted the "lead division" concept in 1975. This gave one division the leadership in each issue area, the lead division being the one with the most background or expertise. That division would assume Governmentwide responsibility for the subject.

But even this approach did not remove all the points of overlap or potential confusion. Specific coordination problems had to be worked out for each Federal agency, and GAO divisions had to have agency audit responsibilities in addition to pursuing issue areas. No matter how exclusively issue areas and lines of effort were drawn, however, there were bound to be overlaps or common threads among the program plans. These relationships had to be made explicit when programming a job. A single job conceivably may touch on several issue areas. When one division's job contributed to that of another division, the secondary line of effort was cited in the program plans and job document, and the lead division had to clear its plans with the "secondary" division. Usually agreement was a matter of course, but at times OPP had to mediate a turf problem or refer it to the Assignment Review Group (see below) for a ruling.

Coordination did take place, however perfunctorily or reluctantly at times, and duplication of effort appeared to have been minimized. Job documentation, GAO's management information system, and the program plan's accountability model (see below) continued to cite the

primary and secondary lines of effort until the job ended, when contributions to the lines of effort could be assessed.

### **PROGRAM PLANNING COMMITTEE**

This top management group functioned primarily to ensure that the selection of work by the audit staffs was consistent with overall GAO policy and strategy. Members were the Comptroller General; his Deputy; the General Counsel; the three Assistant Comptrollers General; the Director of the Field Operations Division; and the Director of the Office of Program Planning, who also served as executive secretary of PPC. OPP staff advised and assisted the divisions in developing their plans. The issue area program was refined through division/OPP interaction before being submitted to PPC. (See Figure 10-4.)

About once every 18 months, PPC normally met with the cognizant division director to review the program plan of each of the 37 issue areas. A change in issue area context, a significant turn of events, new indications of congressional needs, or reallocation of GAO resources sometimes necessitated interim meetings. At the meeting the committee reviewed general developments in the issue area; progress against the previous plan; and proposed revisions to the lines of effort, priorities, and staff allocations. Changes sometimes were suggested by OPP, PPC members, or other meeting attendees.

**Figure 10-3**

**Matrix: Typical Interrelations of Divisions and Their Issue Areas**

Issue Area	GAO Divisions						
	Community and Economic Development	Energy and Minerals	Procurement and Systems Acquisition	Program Analysis	Human Resources	International	General Government
Science Policy	Environmental Protection Programs	Energy Materials	Procurement of Major Systems--Research & Development				
	Transportation Systems and Policies						
Food	Land Use Planning & Control	Energy Materials		Science Policy  Economic Analysis of Alternative Program Approaches	Consumer & Worker Protection	International Affairs	
	Transportation System & Policies				Fed. Sponsored or Assisted Health Programs		
	Water & Water Related				Income Security		
Housing	Land Use Planning and Control	Energy Materials			Consumer & Worker Protection  Admin. of Non-Disc. & Equal Opp. Programs		Intergovernmental Policies & Fiscal Relations



**PROGRAM PLANNING COMMITTEE AND OPP STAFF** meet regularly before each PPC session

**Figure 10-4**  
**Outline of Program Planning**  
**Review Process**

ACTION	PARTICIPANT	TIMING
Develop or revise plan	Division	Continuous
Pre-PPC session review on draft plan	OPP	4 to 6 weeks prior to PPC session
Revise plan based on OPP comments	Division/OPP	3 to 5 weeks prior to PPC session
Final plan in hands of OPP	Division/Opp of OPP	2 weeks prior to PPC session
Submit plan and advance material to PPC members	OPP	1 week prior to PPC session
Prebriefing	OPP/PPC	30 minutes prior to session
PPC session	PPC/Division/OPP	
Publish PPC session minutes	OPP/PPC	2 weeks after session
Publish approved plan	Division	4 weeks after session
Implement plan/monitor progress	Division	Continuous

Minutes of the meetings reported PPC's decisions. Staats personally reviewed and approved the minutes of every meeting to assure that appropriate followup actions would be taken. As a program plan is updated or revised, the previous PPC minutes must cite specific actions taken.

There was inevitably some frustration with PPC meetings among the staff if points important to them were not aired or staff did not get the guidance and advice they had come to expect. As with many things, the major benefit sometimes resulted from thinking through the product and not in the product itself. However, the meetings provided an opportunity to exchange views on the work GAO should do at the front end of its job cycle, and it exposed GAO staff to the Comptroller General in a way that helped him assess their performance and potential.

#### **HOLDING THE DIVISIONS RESPONSIBLE FOR CARRYING OUT THEIR PROGRAM PLANS**

The best laid plans of mice and men do often go astray, and GAO was no exception to this adage. Not only were the staff's best intentions often waylaid by events, but sometimes, as in any large organization, staff simply failed to carry out what they had said they would do. Accountability was, therefore, necessary.

Accountability has long been a challenge for GAO. Circumstances can change rapidly with time as new congressional requests come in, issue area priorities shift, budget and operating procedures change, or important new demands are placed on the office. The net results of GAO work, beyond a simple count of reports issued or cases successfully closed, are very difficult to measure.

To compare progress against program plans, i.e., achievements in issue areas, the Office in 1978 began requiring its divisions to attach to their program plans an "accountability model," a statement of progress achieved against each goal of the prior plan.<sup>8</sup> It described how assignments underway conformed to the line of effort scope; the type of product intended, such as a report, staff study, letter, or briefing; the concrete results expected; and the work remaining to be done in the line of effort. The statement also listed each completed report or product within its line of effort and its net effect. It enabled PPC to review not only report titles or abstracts but also extrinsic results: GAO recommendations adopted, target agency procedures improved, or legislation enacted. Here are three examples of effects cited in the plans.

- "As recommended, funding has been postponed and curtailed for this project."
- "The report is used extensively \* \* \* by committees, subcommittees and individual members of the Congress."

- "This report played a significant role in DOD's withdrawing this [weapon] system from its budget with a saving of over \$600 million."

Even with this procedure, however, accountability was elusive because studies did not always answer the questions originally posed nor did they always culminate in specific recommendations. Some reports only offered observations, perspectives, or options for the Congress to consider. In other instances, GAO was not the sole actor or the full effects of the work would not emerge for several years.

Notwithstanding these limitations, it was essential that PPC keep adjusting its accountability requirements and advise operating divisions when performance fell short of expectations. The committee's persistent stress on concrete results might have influenced divisions to choose the more "lucrative" assignments. GAO planning officials believed that improvements in accountability was a leading challenge for the future.

#### **Assignment Selection And Approval**

Once a program plan was approved, the divisions undertook the jobs that addressed the lines of effort proposed for the issue area. Each division listed its proposed work in a Firm Assignments List—the jobs to be started the next quarter. The lists circulated throughout GAO and served as a basis for planning the assignment of field staff. If time was available, Staats reviewed the lists, made marginal notes, and forwarded them to OPP for followup. OPP also reviewed the jobs listed for their merit, compatibility with the approved plan, timeliness, and expected benefits. If OPP and the division could not resolve any differences about a particular job, an appeal was made to higher authority.

Initially, in disputes between this staff office and a line division, the division almost always won, as might be expected. Providing OPP the necessary support in these matters required a new vehicle. Staats established an Assignment Review Group to review prospective and ongoing jobs in dispute, those markedly overrunning their schedules, and proposed jobs which OPP believed deserving of special review. Members were the Assistant Comptrollers General and two operating division directors who served for rotating 12-month terms. The Director, OPP, was the executive secretary. This group had sufficient "clout" and broad enough representation to act as an effective arbiter.

The group dealt with about a dozen of the 150 new jobs generally started each month. Typical questions explored were:

- Why should "X" division do a proposed assignment when "Y" division recently canceled a similar job?

- Is the job focus too narrow; can it be expanded for Government-wide coverage?
- Is the methodology chosen, i.e., the analytical technique, the most appropriate one?
- Is this division reaching beyond its issue area; should an interdivisional team be assigned?
- What can GAO say in this report that is new? Can the report make a difference?
- Will the report get out in time to make a difference?<sup>10</sup>

The group's decision was almost always conclusive. Although there were procedures for appealing to the Comptroller General, they were rarely used.

## **Relationship Between Planning And Budgeting Still Being Developed**

Before the advent of issue areas, the planning process and the formulation of GAO's budget were more closely linked. In those earlier years when divisionwide plans were prepared along responsibility area lines, the divisions were asked to program all the staff-years they could profitably use in the planning period. Inevitably the divisions requested far more resources than available and more than GAO could reasonably expect the Congress to approve. Nevertheless, the figures gave the Comptroller General a larger universe from which to choose and provided the base for preparing the budget and allocating division staff-years.

When issue areas were established, PPC began reviewing program plans on a cyclical basis and the planning process and budget formulation went their separate ways. Consequently, the planning process lost some of its meaning. Resources allocated to divisions and the field offices had to be converted to an issue area context after program plans had been approved because issue areas crossed division lines. In 1978 GAO established a two-person budget committee, which later consisted of the three Assistant Comptrollers General. OPP and the Controller's office began working closer together in determining resource allocations. GAO also began preparing its budget and allocating the funds approved by the Congress using issue areas for both the headquarters staff and the field. At periodic meetings, the budget committee reviewed with each division its resource allocation for each issue area. These actions brought the planning and budget processes closer together again, but the planning process' 18-month cycle prevented a complete intertie.

Under new procedures approved late in 1980, the planning and budgeting processes are to be further integrated. An iterative process is

to begin in April with the "spring review," about 6 months before the new fiscal year begins. Here the Office of Program Planning and the Office of Budget and Financial Management are to identify issues needing resolution and issue areas that may justify more or less resources than current levels. Next the divisions will be asked to respond to these findings and begin preparing their budgets. Several meetings may be held through the summer to exchange views. In September the Comptroller General will decide open questions and determine resource allocations for the coming year and the succeeding budget year's request to the Congress. In October the affected divisions' plans will be adjusted to conform to the decisions made.

\* \* \* \*

A program planning system is still evolving and has some distance to go to satisfy everyone up and down the line. The system has demonstrated, nonetheless, that there are manageable categories for the institution's myriad work and that the GAO agenda can be planned ahead within acceptable tolerances. The system was designed to encourage, even compel, division directors and other senior executives to lift their sights and think about their roles and missions, where their organizations ought to be heading, and how to proceed.

The issue area/lines-of-effort matrix was also designed to maximize the use of resources, addressing Governmentwide affairs coherently, and gaining a march on emerging congressional information needs. Perhaps most important, the process assures that the GAO staff will devote attention to matters larger and more significant than those of passing interest or those associated with the operations of a single Federal agency or subdivision.

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1. David J. Kromenaker and Neal P. Curtin, "Idea Generation in GAO," *The GAO Review*, (Fall 1973), pp. 31-33

2. Comptroller General Staats, Memorandum to heads of divisions and offices, "Program Planning Committee," 6 July 1967

3. U.S. General Accounting Office, Committee on Program Planning Improvement, "Opportunity to Improve Planning for Accounting and Auditing Functions," report to the Comptroller General, pp. 9-10.

4. Harry C. Kensky, Memorandum, "Multiagency Work in the Civil Division," 5 Dec. 1969, p. 2.

5. Comptroller General Staats, Memorandum, "Further Guidance on Program Planning," 16 Sept. 1975.

6. James D. Martin, Memorandum, "PPC Session on Federally Sponsored or Assisted Employment and Training Programs (PPC-79-23, June 7, 1979)," 10 July 1979, p. 2.

7. Comptroller General Staats, Memorandum "Implementation of the Lead Division Concept," 3 Feb. 1975.

8. James D. Martin, Memorandum, "Preparing for the 1978/79 Program Planning Committee Sessions," 23 Mar. 1978

9. U.S. General Accounting Office, Procurement and Systems Acquisition Division, "Program Plan for the Procurement of Major Systems Issue Area (3,000)," 1979, pp. A-VII-6 and A-VII-12.

10. John D. Heller, Memorandum, "Assignment Review Group," 7 Nov 1977.

## **Part III**

# **Developments Affecting The Scope, Quality, And Impact Of GAO's Work**

# Chapter 11

## Efforts To Improve The Products

Like its counterparts in the business world, GAO is in the business of delivering a quality product to its customers in a timely fashion. Its principal product is a report; its primary customers are the Congress, its members, and its committees. Unlike a typical business, however, GAO does not have the incentive of profitmaking to spur it on to continual product improvement. In addition, by virtue of its role as an independent critic, it has been given broad latitude by the Congress.

During the period 1966-81, GAO worked to improve all operations leading to report production. This involved, first and foremost, changes in its basic way of doing business. The agency adopted project management with a view to reducing job cost and improving timeliness by cutting through duplicative authority and review layers. It developed, tested, and then adopted for use on all assignments a systematic process for job planning and management. GAO also took steps to assure that it used appropriate methodologies in its work and that its auditors had ready access to up-to-date information about the areas under review. Finally, for completed products, it streamlined review and agency comment procedures and worked to improve report readability.

This chapter discusses all the major efforts to improve the timeliness and quality of GAO's work—from the beginning of the work to the final stages of the processes involved in publishing the report. A convenient way to approach this subject is in the order in which the work is done. Discussed first are the operating procedures for carrying out assignments; then how

assignments are planned and managed (the Project Planning and Management Approach); the sources available to gather the information (the library); what methods are used to gather the needed data (methodology); how the message is communicated (report readability); and, finally, what is done to get the message out the door (report processing). As it discusses the major developments, the chapter also assesses how the changes were accepted within the agency and how successful they were in achieving the goals.

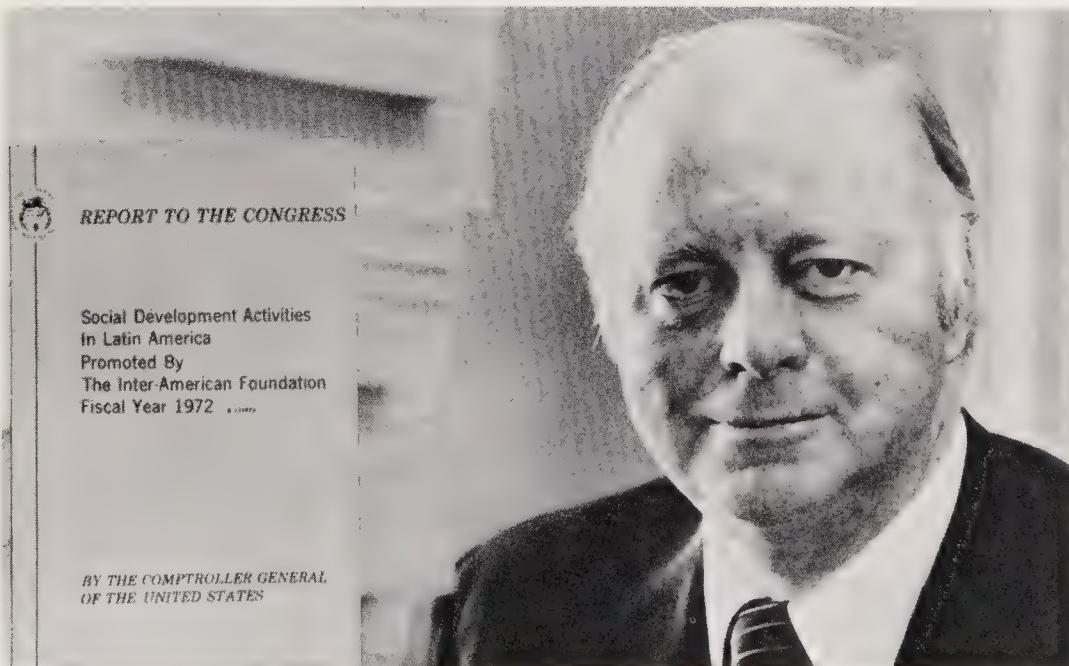
### Procedures Aimed At Getting GAO Work Done In Less Time, At Less Cost

Various working arrangements were officially sanctioned over the years and achieved varying

#### Figure 11-1 Basic Characteristics Of GAO Communication Products

- Significance
- Usefulness and timeliness
- Accuracy and adequacy of support
- Convincingness
- Objectivity and perspective
- Clarity and simplicity
- Conciseness
- Completeness
- Constructiveness of tone

Source: GAO Report Manual



**COMPTROLLER GENERAL STAATS** and an example of GAO's primary product—a report to the Congress.

degrees of success. Very late in the 1966-81 period, GAO shifted the focus of its operations from a process to a results orientation. Basic management principles to which all assignments must adhere were specified, but the management structures for individual assignments were left to the divisions' discretion.

Until 1978, jobs were typically developed and planned at headquarters or in lead regions and then carried out by two or three regional offices. Headquarters and the regional offices functioned as separate organizations but had similar hierarchical chains of command. In both settings audit managers supervised several jobs at once and "site seniors" assigned to the specific jobs reported to them.

Mid-level staff in either Washington or the field usually drafted the report. If drafted in the field, the report was reviewed by one or more levels in the regional office and then forwarded to headquarters. There the report was turned over to the cognizant audit staff for another round of reviews and revision that might include a site senior, an audit manager, an assistant director, an associate director, and a division director or his designee. Reports drafted in Washington went through the same headquarters review chain. Often the report was also reviewed by other divisions if they had jurisdiction over the subject matter.

Drafts sometimes shuttled back and forth between the different review levels and between the headquarters and the field for revision or updating. Staffs tried to cut back on the time consumed through field visits or trips to headquarters and by conferences early in the report drafting stage to reach agreement on what the report would say, but there were often delays. The impact on job timeliness and cost which resulted from the duplicative lines of authority and review is not hard to imagine. Quality sometimes suffered as well, since the regional offices were not held accountable for the final product. Since the staff drafting the report knew it would be revised anyway, they had little incentive to spend a lot of time trying to prepare the best possible product.

What was needed was a means to pinpoint authority and responsibility and to reduce the number of persons involved in supervising the job and reviewing the report draft. Staff also needed to be insulated from other duties so they could devote their time to getting the job done. A project team approach seemed to offer a solution to these problems by more clearly delineating lines of authority, reducing review levels, and evening out the balance of responsibility between headquarters and the regional offices.

## **EARLY EXPERIMENTS WITH PROJECT MANAGEMENT**

Project management had been used extensively in industry and Government. Convinced that project management was the only practicable way to run complex research and development projects, the Department of Defense and the National Aeronautics and Space Administration used it in all major new systems developments and in many smaller ones. Public accounting and management consulting firms which have to meet tight deadlines also used the technique extensively.

This technique involves assembling a team to accomplish a specific, well-defined objective within a relatively short timeframe. Teams insulated from competing demands and exempted from most standard operating procedures seem to offer an efficient means of responding to today's challenges which a formal, stratified organization may be too inflexible to meet. The jobs facing Government require diverse professional skills and the ability to cut laterally through organizational barriers, thus bypassing vertical decisionmaking and review levels.

Selecting the right staff is crucial to project success. Since the hierarchical overlay is removed and full authority and responsibility is delegated, project managers must be truly competent and able to operate successfully in a relatively unstructured environment. Team members, usually coming from different parts of the organization, must be able to work closely together and mesh their diverse contributions to meet project goals.

Successful project management also requires that an organization fundamentally change its normal way of doing business. As Charles C. Martin remarked in his book, "Project Management": "How to Make It Work": "Many cases of disillusionment have come about because top management thought it could adopt the name *project management*, change practically nothing, and still enjoy the benefits of project management."<sup>1</sup> Or, as one GAO writer commented: "Clearly, if organization formalities such as layered reviewing cannot be bypassed, the team approach loses its *raison d'être*."<sup>2</sup>

The project management approach was introduced in GAO in several high-visibility short timeframe efforts. (See the hospital construction cost study, ch. 2.) As indicated in a December 4, 1972, memorandum to heads of divisions and offices, the Comptroller General clearly was attracted to the idea: "More use should be made of project managers \* \* \*." He and others in GAO believed there were many benefits to this approach, including pinpointing of accountabil-

ity, bypassing normal levels of review, speeding up completion of work, and motivating staff and providing greater job satisfaction.

Early criteria for project management required that there be one level of review between project manager and division director and that the project manager be assigned full-time to one assignment. Jobs thought especially suitable for project management included those requiring 1,000 or more staff-days with multiagency or Government-wide scope and relatively short timeframes.<sup>3</sup>

Efforts to introduce project management into GAO met with limited success, however. In late 1975 a task force, led by the Office of Program Planning, was established to find out why. Their finding? "Project management has hardly been tried in GAO!"<sup>4</sup> The task force reported that the jobs on which it had been used had demonstrated the expected benefits—especially increased motivation and job satisfaction among the staff. But as of August 1975, only 13 of 1,320 active jobs could be classed as project manager jobs.

Among the reasons the approach had not been accepted and used, according to the task force, were a perceived shortage of capable people who could serve as project managers and the prevailing hierarchical management structure. Believing that GAO was not ready for such a drastic change as going to a project form of organization, the task force recommended, in part, that:

- Decisionmakers be "forced" to consciously select the best approach for doing specific jobs, project management certainly receiving consideration.
- More visibility be given to various innovative approaches to jobs, including project management, and to the organizations and people using them.

The Comptroller General endorsed these and the task force's other recommendations in January 1976. He said the task force had aptly shown project management to be one potentially effective way of managing certain jobs. Consequently he encouraged GAO management "to give further thought and emphasis to the project approach as well as to other innovations in doing our job—perhaps a little quicker, a little better."<sup>5</sup>

Despite this encouragement, project management made scarcely more of a ripple in GAO than it had before. There continued to be some notable exceptions such as the Energy and Minerals Division's series of studies on the liquid metal fast breeder reactor. This study, as Erasmus H. Kloman wrote in "Cases in Accountability: The Work of the GAO," gave the project team approach one of its most valuable tests.<sup>6</sup> Another was the 1976 study of bank regulatory

agencies discussed in chapter 6. These and other project-managed jobs typically were the focus of much congressional interest; involved close coordination of a large, multidisciplinary and, in some cases, geographically dispersed staff; and had to meet tight deadlines.

At least two other internal task forces would recall that these jobs were generally regarded as highly successful, and recommend that project management techniques be adopted. One study conducted by the Community and Economic Development Division proposed that assignments be conducted by temporary teams—structures which would not require organizational or administrative change in GAO. The task force emphasized the concept needed to be tested before full implementation so that problems which arose from the change could be ironed out early. The Division Director instructed one of his operating groups to start experimenting with the team approach, but by this time, as the result of another task force's work, it was about to become standard operating procedure for the entire agency.<sup>7</sup>

#### **A TEAM APPROACH IS MANDATED AS THE NORMAL WAY OF DOING BUSINESS**

At its June 1977 meeting in Easton, Maryland, GAO's top management identified a number of problems with GAO's work, including the fact that many in the Congress perceived that GAO's work was not timely and, therefore, was not as useful as it could be. (See also ch. 7.) Management reached a consensus that, "The work of GAO takes too long and costs too much." The directors then identified the "essential conditions" which proposed solutions would have to meet. These included:

- GAO standards of excellence must be maintained or upgraded.
- Role of staff must be enhanced.
- Appropriate structure and policies/processes must be provided.
- Supporting systems must be established to provide visibility and accountability.<sup>8</sup>

Following the meeting the Comptroller General established a high-level Task Force on GAO Effectiveness and selected Stewart McElyea, Director, Field Operations Division, to be chairman. The other members were all from headquarters and included several operating division directors and other top managers. Their job was to devise changes that would result in delivery of GAO products to users at the time they would be most useful and at acceptable levels of cost.

The task force met frequently during the fall and summer of 1977 and actively sought opinions from other levels and organizations in GAO, both in headquarters and in the regions. It reviewed all parts of the GAO system and identified

barriers to acceptable product timeliness and cost. Several of these barriers appeared to be direct consequences of internal working relationships. These included (1) the multiple levels of review, (2) "ping-ponging" of draft reports back and forth between levels of management, and (3) field/headquarters relationships.

Initially the task force members did not know what to propose. They were convinced, however, that the situation called for something more drastic than merely urging everyone to try to improve and suggesting some helpful measures. Whatever they proposed, they reasoned, should become institutionalized as an integral part of the regular system of doing GAO's work.

The team approach surfaced as a way GAO had operated in the past when it could not afford to fail. The jobs performed this way had been viewed as successes. Meanwhile Henry Eschwege shared a draft of his Community and Economic Development Division task force report on the team concept with the other task force members and discussed the division's proposed team experiment.

After extensive discussion, the task force endorsed the team approach as the only workable solution for overcoming the barriers identified. To avoid the fate of the earlier project management efforts, the task force recommended that divisions adopt a project team approach as "a normal way of doing business." It proposed that

a team leader for finite assignments be assigned from either headquarters or the field, team members report directly to the team leader regardless of their permanent organizational affiliations, the team be insulated from competing demands to the extent necessary and possible, and hierarchical levels of review be minimized.<sup>9</sup>

As with all its recommendations, the task force was careful to leave most of the specifics of implementation up to the division directors. This hesitancy to be prescriptive led them to recommend teams as a normal way of doing business. When Staats reviewed their report, he concluded that teams should be the normal way of doing business. In light of the advice he got from others and previous experience with project management, he became convinced that mandating teams was necessary to ensure their widespread use in GAO.<sup>10</sup>

#### **ROLES OF TEAM MEMBERS AND DIVISION MANAGEMENT DEFINED**

The team approach was officially underway but the road to full implementation proved to be slow and rocky. The transition may have been complicated because teams had been instituted without benefit of a trial run. Introduction and implementation were simultaneous for management and staff alike. Management, therefore, did not have a head start on knowing what problems would arise and how to deal with them.



**THE TASK FORCE ON IMPROVING GAO EFFECTIVENESS** receives the Comptroller General's Award at the 1978 Honor Awards Ceremony, October 25, 1978. Members included Donald J. Horan, Clerio P. Pin, Larry Hillman, Gregory J. Ahart, Hugh Brady, Harry S. Havens, S. D. McElvea, Henry Eschwege, A. F. Franklin, John D. Heller, and J. Kenneth Fasick.

The first problem pursued by top management was defining the roles of the individuals who made up a team. In May 1979—14 months after the approach had been officially adopted—the division directors reached agreement on statements describing the responsibilities of the team director and the team leader. The team director was made responsible for the overall direction of one or more assignments and reported directly to the associate or division director. The team leader managed the assignment and reported to the team director. Normally, the team director was not expected to devote full time to any one assignment, but the team leader was. The team leader and team director shared responsibility for the technical aspects of the work. The team director was normally to be a GS-15 and the team leader a GS-14 or 13. The roles of deputy team leader, subteam leader, and team member were defined and approved a short time later.

Two other issues were the role of the associate director and the line of authority between the team and the division director. Solutions were again hammered out by the division directors and approved by the Comptroller General. The upshot was that the line of authority between the team and the division director was to be more direct with provisions for the associate director to be inserted into the line at certain key junctures if a division so desired.

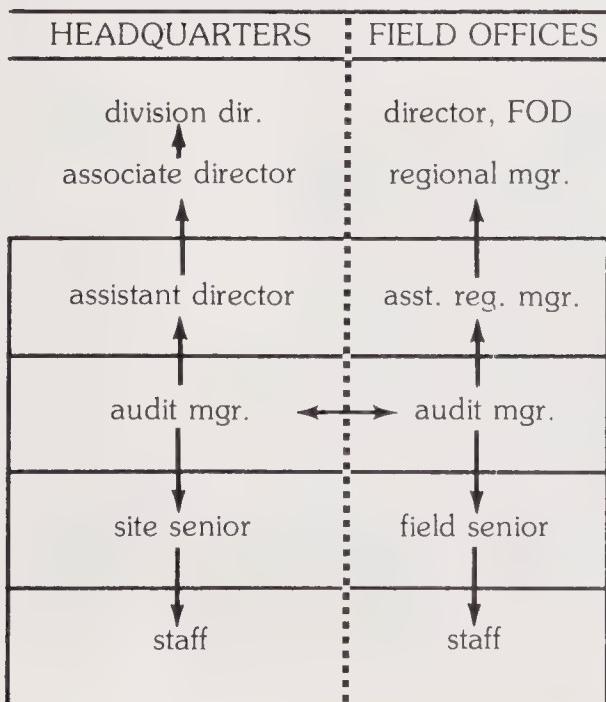
The various titles, roles, and linear arrangements of staff established for teams were spelled out in a June 22, 1979 memorandum from the Comptroller General to all professional staff entitled "Project Team Approach." Still other operating rules were formulated. In July 1979, 7 new titles were established to replace that of "assistant director," a title held by more than 300 middle managers and other officials but which no longer described many of their roles. Possibly it never had, since many of these officials in headquarters had not been "assisting the director" in managing the division, but rather had been involved in specific finite assignments. It was anticipated that most in headquarters would have the new title "group director." This initiative was particularly unpopular with the persons giving up the assistant director title.

#### **QUESTIONS ABOUT THE REGIONS' ROLE EMERGED**

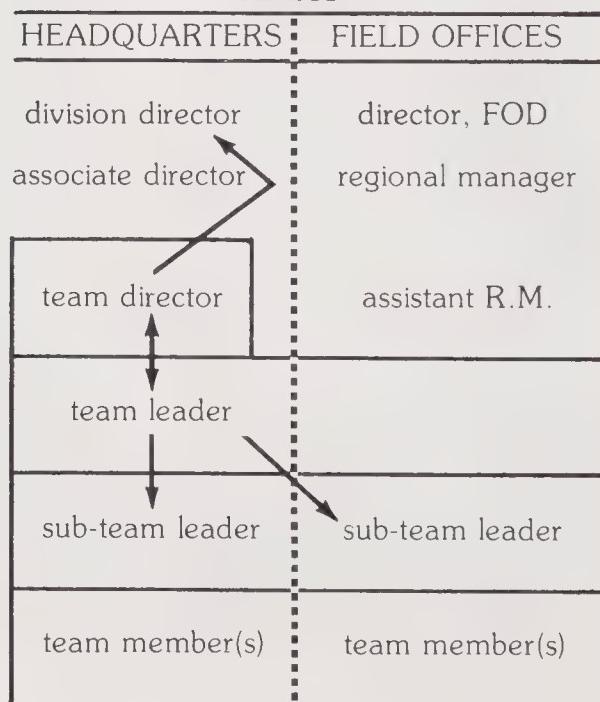
The major change in the regions which teams brought about was the removal of regional management from direct technical authority on individual jobs. This authority was accepted as residing with team management. The fundamental role of regional management (including regional managers, assistant regional managers, and their assistants) was defined as "resource management," or activities related to the development and use of staff. (See also ch. 14.)<sup>11</sup>

**Figure 11-2**  
**Comparison of Job Management Structures**

#### **HIERARCHICAL MODE**



#### **TEAMS**



## **Matrix Management By The Book**

Matrix management has been one of the more difficult aspects of project management and its variants that GAO staff have had to adjust to. GAO is not alone in this; other organizations which have attempted to flatten hierarchical structures have found that operating under a matrix demands flexibility; patience; and, on the part of many, sacrifice. The extensive literature on this topic would be a good resource for GAO to use to gain a clearer understanding of the potential pitfalls and opportunities inherent in this management structure. "Matrix" is said to be the definitive book on the subject, and it would probably be a good place to start.\*

"Matrix" describes the traditional form of organization as one employing a single chain of command and shaped around a single dimension—a function, product, service, geographical area, client market, etc. In a matrix there are two organizing dimensions (roughly, job management and people management in GAO) and an accompanying dual command, or two-boss, structure.

The pyramid is the architectural image for the traditional model, one of the most enduring designs built by humans. Its strength is its stability. The matrix, on the other hand, is best represented as a fabric, able to adapt to stress and change. Its flexibility comes from the interweaving of one dimension with another, of centralization with decentralization, and of specialization with integration.

A matrix does make matters more complicated, however. According to the authors of "Matrix":

\* \* \* a matrix is an exceedingly complex organizational form that is not for everybody.

To put it bluntly, if you do not really need it, leave it alone. There are easier ways to manage organizations. Or, as it says on the drug bottle, take only as directed.

Under what circumstances, then, is matrix the preferred structure for an organization? The authors list three necessary conditions. The first is a need to focus attention on two equally critical goals. (GAO, for example, wants to achieve both timeliness and a high level of quality.) The second is a need to maintain an effective communications network, both for spreading information and for processing it and incorporating it into decisions. The matrix organization tends to develop more people who think and act in a general management mode, and thus its information-processing capacity is increased. Finally, a matrix format is desirable when an organization is under considerable pressure to make the best use of limited resources and to meet high quality standards at the same time. All these circumstances appear to fit GAO.

If an organization determines that it meets the above conditions and, therefore, adopts a matrix structure, it can expect a long and difficult transition. GAO has found that out. According to "Matrix":

The change to a matrix cannot be accomplished by issuing a new organization chart. People are brought up, by and large, to think in terms of 'one person, one boss' and such habits of mind are not easily changed. People must learn to work comfortably and effectively in a different way of managing and organizing. \* \* \* experience suggests that successful passage through the early evolution of a matrix, until it is firmly established in its mature form, is a process that will likely take two or three years. That is not a long time in the evolution and life span of an organization, but to those involved in the change, the period of transition can be quite difficult.

The sharing of power and decisionmaking is likely to be one of the most difficult facets of a matrix for people to deal with. The authors maintain that this makes interpersonal skills and building effective working relationships with others more crucial. Thus, increased efforts in human resource planning, career development, and organizational development are among the factors that can make the difference between success and failure in a matrix venture.

Davis and Lawrence point out that individuals must take more personal responsibility in a matrix as they can rely less on the organization to dictate what to do. They must exert more energy to redefine their roles, negotiate conflicts, and make subjective decisions about the appropriate coordination and direction of an activity. At the same time greater responsibility and freedom inevitably entail greater stress. For the organization as a whole, the increase in responsibility at lower levels brought about by a matrix means less control. It should also, however, foster a more committed and more productive staff and thus, overall, a more effective organization.

In sum, a matrix presents the tradeoffs found in other walks of life. With this in mind, GAO is discovering for itself whether or not matrix management is worth the price. This is one question, unfortunately, that "Matrix" cannot provide an answer for.

\*Stanley M. Davis and Paul R. Lawrence, *Matrix* (Reading, Massachusetts: Addison-Wesley Publishing Co. 1977)

Over the next couple of years, regional responsibility for the quality of work was restored somewhat, but the rest of the organization never fully understood the role nor accepted it as legitimate and worthwhile. Regional management's interaction with teams was viewed as interference and resented. Within FOD itself, many believed the concept of having responsibility for managing resources and for assuring work quality without having authority for technical direction of staff was unworkable.

The assistant regional managers were especially hard hit by the changes. In addition to shouldering the responsibilities mentioned, they had to function as team directors on at least one job and thereby to ensure the development and maintenance of their technical expertise. On their part, the division directors agreed to draw 10 percent of all team directors from this group. This goal was never fully achieved, however. Among those serving as team directors, some found their total workloads excessive; their knowledge bases inadequate due to their remoteness from agency headquarters, congressional contacts, and other data sources; and their supervision duties restricted. Overall use of regional office staff as team leaders was more encouraging: regions furnished about 50 percent of the total.

FOD prided itself on having faithfully tried to carry out Office policy regarding teams, including redefining roles. It resented the fact, however, that the divisions did not appear, in many cases, to have taken similar steps. Some were operating as they had before implementation of the approach, with nonteam members reviewing work and providing direction on jobs. In effect, one part of the organization had adopted a matrix arrangement—with responsibility for resource management differentiated from responsibility for team management—and some other parts had retained the hierarchical structure. This disparity prevented the divisions and regions from forming an effective working partnership and exacerbated regional discontent.<sup>12</sup>

#### **OTHER PROBLEMS WITH TEAMS**

While management considered concept papers and organization charts, staff assigned to teams struggled to make their own adjustments. Team leaders frequently found that more travel was required for them to adequately supervise and evaluate team members from other parts of the organization as well as to monitor job progress. They also found that travel funds sometimes were not available. Many doubted that, even with considerable travel, they would be able to discharge these responsibilities adequately. Formerly, regional management had been in a position to step in and fill voids in supervision and evaluation but were discouraged from doing so under teams. In addition, some team leaders simply were not ready for the role thrust on them. Divisions made little use of criteria for determin-

ing the appropriate grades for team leaders,\* more often than not simply assigning team leaders on the basis of availability.

The impact of remote supervision on team members was a growing concern. Many were not receiving adequate on-the-job training, or complete and accurate performance evaluations. Reporting to both a team leader and their home unit caused discomfort and occasionally conflicts; some simply felt cut adrift, with no part of the organization totally responsible for them or holding them accountable.

The way the team approach was implemented violated the principles of accountability, authority, and responsibility which it had been designed to enhance. Staff were assigned responsibilities without being given sufficient authority to carry them out. For example, team leaders had full responsibility for completing assignments, but they had no control over the staff or other resources assigned to them. Regional management had certain quality control responsibilities on jobs for which they lacked accountability.

Team titles became a source of friction between headquarters and the regions as they vied with each other to secure the most prestigious-sounding titles for their respective staffs. Because the competitive selection process for promotion (see ch. 12) placed great emphasis on team management experience, the perceived need to demonstrate such experience, rather than the requirements of the assignment, often served as the driving force behind team selection and structure. "Deputy team leaders" and "subteam leaders" proliferated whether or not the job required them. Titles could be misleading in other ways as well; a team leader reviewing recreation facilities on a military installation did not have responsibilities comparable to those of a team leader reviewing the financial status of New York City, yet both received credit for team leader experience.

The problems which attended the implementation of teams might have loomed less large or been endured with less organizational strife if the implementation experience had indeed led to achievement of the Comptroller General's goal of getting jobs done in less time, at less cost. These benefits were not demonstrated, however, notwithstanding some encouraging early evidence. Some suspected that teams were, in fact, having the opposite effect. The lack of encouraging data was attributed to several different factors, including the fact that many parts of the organization never implemented teams properly in the first place. Whatever the reason, staff who viewed strained headquarters/regional relationships; low morale; and blurred lines of accountability, authority, and responsibility as the pri-

\*The criteria were spelled out in the "Hanlon Paper," prepared in 1979 under the leadership of Robert W. Hanlon.

mary legacy of teams had little cause to support the concept.

### **ASSIGNMENT STRUCTURES DIVERSIFIED BUT CONFORMITY TO BASIC MANAGEMENT PRINCIPLES REQUIRED**

In May 1980, in response to a formal list of complaints supplied by the regional managers, Staats requested the Division Directors' Group to review the team approach and related problems and give him recommendations for improvement.<sup>13</sup>

Following the process described in chapter 7, the group concluded that GAO might be using the approach on too many jobs and applying it too rigidly. As a result, the Office was not meeting the needs of individual assignments as well as broader and important institutional needs. They proposed that the teams structure be retained for the bulk of GAO's assignments but that the rules of teaming be flexibly applied when valid management considerations dictated some deviation. Essentially their proposal would have permitted the imposing of additional supervision and review levels into the team structure when deemed necessary to ensure job quality and optimal staff development and use. Other proposals, related to legitimizing the role of the regional offices, increasing their participation in program planning, and changing the Job Scheduling and Staffing System, are discussed in chapter 14.

The division directors presented these and other proposals for improving GAO's operations in a June 2, 1980 memorandum to the Comptroller General that was widely distributed throughout the Office. Following receipt and analysis of many responses and consultations with various advisory groups—in particular the GS-13/14 Management and Policy Advisory Council and the Career Level Council—the directors outlined nine major problems in a September 9, 1980 memorandum:

1. On-the-job training was not taking place.
2. Staff often had the sense that they did not belong to a specific unit.
3. Staff evaluations were often based on inadequate observations and/or knowledge of performance, were not timely, or were not given at all.
4. Challenging work was not always being given to the staff—a situation perhaps attributable to the fact that team leaders had no knowledge initially of the capabilities of the staff assigned to them and so imposed tasks that were relatively simple in order to be on the safe side.
5. Team leaders and team members had unclear and incomplete authority, responsibility, and accountability.
6. The roles of different management levels in both the regions and headquarters were unclear.

7. The kinds of work done by headquarters and regional staff were different, but the staff did not understand why this was the case and perceived it as a weakness of the Office. Headquarters staff, for example, performed many duties, such as report processing and dealing with congressional staff, which regional staff did not. Team roles seemed to be different too, especially regarding the amount of supervision and travel required.
8. Career paths were not clearly delineated and seemed to have little or no link to a staff member's current assignment.
9. Many of the staff did not feel comfortable reporting to two bosses—their home unit and their team management unit.

The group members asserted that it had become clear to them that to solve the problems and, at the same time, to retain teams across the board would require such major adjustments to the concept that it would in fact become a hybrid structure of teams and the traditional or hierarchical arrangement. They concluded that if GAO changed the focus of its operations from a process to a results orientation, it would provide a good basis for both operating as efficiently and effectively as possible and solving the identified problems. They listed a set of basic management principles to which GAO assignment structures should adhere, but maintained that they found it both impossible and unwise to agree on a uniform mandatory structure. Instead, they recommended that each division develop its own operating plan and submit it to the Comptroller General by November 1980. The divisions would not have to use teams as their standard operating procedure, but they would have to ensure that they followed the basic management principles.

In a September 12, 1980 memorandum to all professional staff, Staats endorsed the directors' recommendations. Based on their input, he labeled the essential management principles to be used in carrying out all of GAO's work as follows:

- Identify the responsibility chain for the execution of each assignment.
- Minimize the levels of review and supervision.
- Provide that only the staff essential to the successful completion of the project be involved in planning and executing that review.
- Insulate staff from competing demands.
- Provide productive and challenging work for the staff that, over time, fully uses and/or develops their abilities.
- Periodically review the work of staff to determine the appropriateness of the grade structure.

- Provide feedback to the staff and their organizational managers on how well they perform.

Furthermore, he required that the division operating plans incorporate the project team approach as an important way to carry out GAO's work and specify goals for its use. The general criteria for using the approach would be those spelled out in the June 22, 1979 memorandum. Team titles were to be discarded.

Both he and the division directors recognized, however, that such procedures were only the beginning. Management had to work at making them the way of life in each division. To emphasize and demonstrate their commitment, the division directors agreed to incorporate their plans for operation and for resolving the problems into their Senior Executive Service contracts.<sup>14</sup> The Comptroller General made his position very clear:

*Although the solution may appear to be a sharp departure from previous approaches, I take very seriously the division directors' commitment to take personal responsibility for resolving these problems. For that reason, I am approving the approach which they have recommended to me. In this regard, I plan during my remaining tenure to closely follow the progress made and to hold the directors accountable for their performance in solving, within each of their units, the problems they have recognized.<sup>15</sup>*

## **Increased Emphasis On Front-end Job Planning—The Project Planning And Management Approach (PPMA)**

The team approach highlighted the need for a systematic and consistent approach to planning and managing assignments. Under the hierarchical structure, the various report review levels had provided a set of "after the fact" quality controls. The team approach with its diminution of the hierarchy offered an opportunity to build the requisite controls into the total assignment process—particularly its early stages, when careful planning and decisionmaking could prevent wasted resources later on. In addition, it revealed that a common approach to the basics of job planning and management and a standard terminology were necessary to facilitate communication between and within the organizational entities involved in team assignments. Finally, it showed that a systematic approach to planning and management was desirable in view of the environment in which GAO operated during these years. The Office's work had become increasingly complex and sophisticated while staff

resources remained comparatively limited. It had built a reputation for objective reporting, and its ever-widening audience was demanding ever-higher standards of quality.

Principles of job planning had been propounded in one form or another in the "Comprehensive Audit Manual" (CAM). The CAM, first issued in 1952 and revised periodically since, is GAO's authoritative reference for approaches to audit problems, specific audit techniques, and basic performance standards for audit assignments.

One of these standards calls for adequate planning of all phases of work, including "up-front" determinations of areas to be covered, procedures to be employed, staffing requirements, and a systematic plan for assigning work. The CAM recognizes the importance of flexibility in planning: "\* \* \* written work programs \* \* \* should never be used as a checklist of work steps to be performed in a manner which stifles individual initiative, imagination, and resourcefulness."<sup>16</sup> However, the CAM did not solve GAO's planning problems.

The CAM offers even less in the way of job management principles. It touches on management issues but does not really formulate a management approach which can be used on all jobs regardless of their technical aspects. And, the CAM was not really being used. Auditors running complex jobs with tight deadlines and farflung staff avoided it as too ponderous and too wordy. In fact, auditors often felt they knew instinctively how to run a job.

What was needed was a set of organizationally consistent job planning and management tools available in a handy, usable format. The solution was the step-by-step GAO "Guide to Project Planning and Management." This guide was based on the premise that upfront planning would ensure the best use of GAO's increasingly limited resources. It called for the defining of issues, the setting of milestones, and the partitioning of a job into discrete segments, all of which would provide a more systematic way of managing the work and more objective criteria for assessing individual performance and job results than GAO had had before.

## **HOW PPMA WAS DEVELOPED**

PPMA development began with the formation of a small group in FOD to look at how individual assignments were planned by the regions. Their initial research revealed a definite need for improved planning. Meanwhile, as the team concept was implemented and the organization "flattened out," they recognized that this need was not just limited to the regions. The group, therefore, persuaded the division directors in the spring of 1978 to sponsor a GAO-wide project to develop a systematic approach for planning and managing assignments under teams.

A task force of 14 people from 6 divisions, headed by Joe Stevens, Assistant Regional Manager, Norfolk, developed a Project Planning and Management System and incorporated it into a handbook. It was presented to staff members in a series of nine developmental workshops. Except for the Career Level Council representatives, all participants were at the team leader level or above. Most agreed that GAO needed a uniform approach to planning and management, commonly citing that it would facilitate the implementation of the team concept and make working with each other easier. On the negative side, they expressed three major concerns about the proposed system: rigidity, excessive paperwork, and overemphasis on timeliness but lack of emphasis on quality.

The proposed concepts and techniques were tested on 20 assignments believed to represent GAO's diversified workload, with team leaders from both headquarters and the regions. On the whole, the team leaders were impressed with the approach's emphasis on up front planning. They also felt that one of its greatest benefits was in clearly laying out factors that they usually considered only subconsciously. Many noted that the concepts and techniques were not new and had previously been used successfully on GAO jobs.

The task force also looked outside GAO to see how nine comparable organizations—public and private—planned and managed their work. They found these organizations used a system

containing many or all of the proposed approach's elements and that it resulted in a 75-percent rate of meeting targets on time.<sup>17</sup>

Using all the information it gathered from these tests, surveys, and comparisons, the task force revised the guide and then circulated it widely for comment. Perhaps the major revision to the guide was a wording change. Many respondents objected to the term "system" in "Project Planning and Management System," claiming it implied rigidity. Because this reaction was so common, the task force changed the name to "Project Planning and Management Approach."

The revised guide came out in October 1978. In a subsequent meeting with the Comptroller General, the division directors reached a consensus that the guide was "conceptually and technically excellent." They also agreed that, upon adoption of the guide, a 1-year shakedown period would be advisable so PPMA could be refined and incorporated in the CAM.<sup>18</sup>

#### HOW PPMA WORKS

PPMA, as set forth in the guide, establishes a framework for each assignment based on five consecutive key phases: proposal, scoping, planning, implementation, and evaluation. Each job is expected to pass through all five phases; however, these may overlap. Also the time and effort devoted to each phase is expected to vary according to the complexity, requirements, and circumstances of each job. At the end of each



**THE PPMA TASK FORCE** assembles under the leadership of Joe B. Stevens, assistant regional manager, Norfolk.

phase, five basic decision components must be determined and/or reevaluated: issues, customer, timing, cost, and communication method. By continually considering these five components, the staff in charge has a basis for deciding whether to continue, modify, or stop the job. Thus, the assignment is evaluated in each phase before additional resources are committed.

The key working document throughout is the assignment plan. As formulated by the end of the planning phase, it breaks the major assignment issues into manageable segments, analyzes each segment in terms of the tasks necessary to develop it (a process labeled "task analysis"), and identifies the staff members responsible for the various tasks and estimates staff-day requirements. During the implementation phase, it serves as the tool for job control and revision. In the evaluation phase it provides the standards against which job results and staff performance are measured.

PPMA envisions assignment plans as dynamic tools which can be changed when unexpected events occur, a new area surfaces which should be pursued, or a more efficient way is found of accomplishing assignment objectives. In fact, it expects that plans *will* change. It also expects that the impact of such changes on the assignment's resources and timeframe will be readily apparent from the plans and can be smoothly factored in. Just how much amending of plans actually occurs is problematic. To work, the process of change must overcome the natural human tendency to leave something alone once it is completed and approved.

#### **PROGRESS AND PROBLEMS IN PPMA IMPLEMENTATION**

During the 1-year shakedown period, the Office of Program Planning monitored PPMA

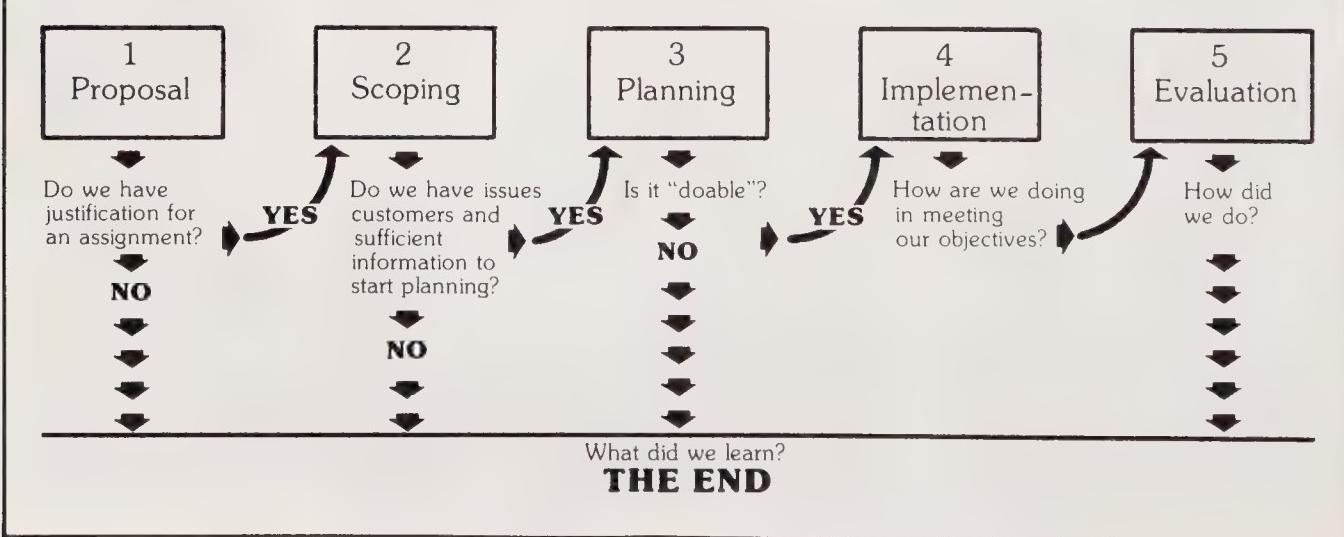
implementation to identify progress and problems and to determine, assess, and endorse needed refinements. It found that GAO staff believed that PPMA was a good concept and that it basically represented the same things they had always done, but in a different format. Unfortunately, it was causing some confusion and concern due to the following problems:

- *Inconsistent implementation.* Requirements varied widely between divisions and regions and even between groups within divisions. As one official described it, "... \* \* implementation ranges from completely ignoring the document to not making a move that hasn't been wrung through the PPMA wringer."
- *The level of detail involved in task analysis.* Some plans broke the work to be done down as far as half day segments, while others resembled the more general audit guidelines previously used in GAO.
- *The burdensome level and type of documentation.* Divisions were requiring this to support decisionmaking at the critical points.

In addition, confusion abounded as to who should decide the level of task analysis detail and documentation necessary for a specific assignment.

The division directors set up a task force on task analysis to deal with these questions. The task force reported in December 1979 that assignment staffs should do that level of task analysis necessary to document (1) key targets and milestones and (2) responsibilities and expectations of the staffs and their individual members. Generally, tasks should be analyzed at least to the extent of detailing those necessary to develop

**Figure 11-3  
Key Decisions From Each PPMA Phase**



**Figure 11-4**  
**Steps in Task Analysis**

<b>DOCUMENTATION FOR TASK ANALYSIS</b>					
ESTIMATED START/COMP.	TASKS/SUBTASKS	PERSON RESPONSIBLE	STAFF DAYS	NOTES	
7/11-8/12	<p>1 Identify methods used by DOD to determine and satisfy container requirements</p> <p>1.1 Interview traffic management officials</p> <p>1.2 Review DOD guidelines overseas shipments</p> <p>1.3 Scan recent shipment lists to insure guidelines are being followed and information provided by officials is accurate</p> <p>1.4 Additional steps as needed to complete task 1</p>	J. Jones	10	*1 week of vacation	
7/18-8/19	<p>2 Evaluate each of the methods identified in task 1 to determine if optimal configurations are being used, and identify alternatives</p> <p>2.1 Steps as needed to complete</p> <p>2.2 Task 2</p>	J. Jones	15		
8/1-9/2	<p>3 Evaluate alternative methods for container selection</p>	D. Doe	25		

1. Precisely state the project's objective. The objective can usually be stated as a question (or questions) which the project will try to answer.

2. Set forth the line of reasoning we will use to answer the question. This logical progression of ideas should provide a framework for obtaining information that is both necessary and sufficient for answering the question.

3. Identify the work segments to be performed to obtain the information that our line of reasoning requires. For management purposes, one or more work segments can be grouped together.

4. Identify more specifically the tasks needed to carry out the work segments.

5. Determine the most efficient sequencing of tasks.

6. Determine responsibility, cost, and timing for each task.

Assignment Title: Review of DOD Container Shipments Overseas  
 Issue: Is there a need for centralized DOD management of container cargo shipments?  
 (Result: Report to Congress)

Segment(s): 1. Is DOD using optimal container configurations?  
 (Result: Draft chapter on cost effectiveness and potential savings)

2. Is DOD providing efficient service to its shippers?  
 (Result: Draft chapter on level of service)

Segment 1: Optimality of container configurations used by DOD.  
 (Result: Draft chapter on cost effectiveness and potential savings)

major issue segments. They said the assignment managers should determine the level of task analysis and the extent of documentation required for a particular assignment.<sup>19</sup>

In that same month, the division directors turned in their approval of PPMA to the Comptroller General. They reported: "Although PPMA has not been as consistently applied as we had hoped, our experience confirms that PPMA offers a sound and flexible approach for planning our assignments." They recommended that the Office of Policy integrate PPMA concepts into the CAM.<sup>20</sup> Staats approved the directors' recommendations, and PPMA is now an official component of assignment planning. Evidence is lacking, however, as to how widely PPMA is actually used.

## **Information Available To Professional Staff**

If GAO's auditors were to be able to cope with the increasing demands placed on their time and their talents during this period, they needed information and they needed it fast. Much was done to meet this need by expanding GAO's library and establishing information services.

In 1966, the GAO Library was of limited use to the audit staff. It was lodged, as it had been since the 1950's, in the Office of the General Counsel, and was geared primarily to the needs of the legal staff. In addition, its subject classification and arrangement did not conform to accepted standardized systems, nor did its staff include one member with a degree in library science. Its reference services were of a passive character, reflecting the lawyer's preference for looking up the law himself, and it offered no services to the regional offices.

Recognizing the auditors' need for research support, the Comptroller General hired a consultant to study how GAO Library services could be improved. Her report, dated September 1972, included the following recommendations:

- Establishing a centralized library system with responsibility for the direction and management of a GAO Technical Library and a GAO Law Library.
- Appointing a library director.
- Improving the library system, including upgrading the facilities (installing new shelving, providing more floorspace, etc.), increasing expenditures for books, simplifying procedures for purchasing publications, and increasing the use of microfilming.<sup>21</sup>

## **THE GAO LIBRARY**

The consultant's recommendations were acted on quickly. In 1973, a professional librarian was hired to preside over the expansion of the library in accord with the consultant's recommendations. In 1975, the rapidly expanding technical collection and services were moved into new

quarters with modern library furnishings and became known officially as the Technical Library. The Law Library, its counterpart under the Office of Librarian, was renovated in 1978 and underwent further improvements in 1980.

The library staff grew in both numbers and level of expertise. The library was staffed with professional librarians and technical information specialists. In time, each librarian was assigned primary responsibility for one of GAO's operating divisions. In this capacity, the librarian selects and catalogs materials related to the division's issue areas and provides research assistance to division staff.

The library's resources have also grown. Over the years the Technical Library collection has expanded to about 73,000 volumes, including 100 looseleaf services, with most of this material received since 1975. Thanks in great part to the use of microfiche, which has accelerated growth of the periodical collection by solving the problems of limited space and deterioration of printed materials, both libraries collectively stock about 1,200 periodicals. This is an important development because periodical literature is the primary source of current research and information in most fields.

The library has a number of arrangements with other organizations to accelerate its expansion. For example, by becoming a "Government Depository Library," the library became entitled to receive free selected publications from the Government Printing Office (GPO) as soon as they are published.

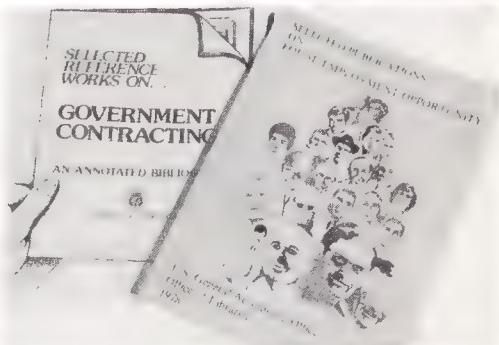
The most dramatic advance in the library's research capabilities has resulted from gaining access to computerized bibliographic and legal information retrieval systems. Currently the library provides access to approximately 150 separate data bases, providing citations to articles, government documents, dissertations, legal and legislative information, research in progress, and organizations.<sup>22</sup>

The library's interlibrary loan service is frequently used to obtain items cited in bibliographies generated by computerized literature searches but not in the library's collection. Its chief sources for interlibrary loans are the Library of Congress, other Federal agency libraries, and libraries of colleges and universities.

To encourage the use of these services, the library has embarked on a number of projects designed to systematically increase user awareness. For example, "Literature Limelight," published monthly, lists the latest books acquired. The library also publishes specialized bibliographies listing materials in the collection on issues of interest to GAO, such as women, equal employment opportunity, zero-based budgeting, and internal auditing in the Federal Government. In addition, library staff have presented briefings in GAO training courses on the valuable role the



**ENTRANCE TO GAO TECHNICAL LIBRARY**



**EXAMPLES OF BIBLIOGRAPHIES**  
published by GAO Library to aid auditors' research



**A TECHNICAL INFORMATION SPECIALIST** accesses a computerized bibliographic data base.

library can play in GAO's work and provide divisions with orientation sessions geared to their particular subject needs. All these activities have generated marked increases in demand for library resources and services.<sup>23</sup>

The accessibility of information to the regional offices has been a continuing problem. To deal with the problem, some regions in recent years have hired their own technical information specialists. Their duties generally include:

- Obtaining documents through interlibrary loan or other means.
- Setting up, organizing, and administering a regional office collection.
- Assisting regional office staff in planning and in doing research.
- Keeping up with new publications and sources of information within GAO.

Some of the regions with technical information specialists have also been given direct access to the library's computerized data bases.<sup>24</sup>

#### GAO INFORMATION SOURCES CENTRALIZED

In December 1979, the Office of Librarian became part of the new Office of Information Systems and Services (formerly the Office of Information Management). Culminating a trend which had been growing in GAO for several years, the new office was made responsible for overall management and coordination of internal and external information activities. (See ch. 16.) Previously each GAO information source was developed, maintained, and used independently, sometimes resulting in duplicative and inefficient service.

GAO staff were the prime beneficiaries of improved information management. They now had

**Figure 11-5**  
**An On-Line Record of a Computer-Assisted Bibliography Search**

RECONNECT File#6 Fri 10Aug79 12:34:03

FREE TIME ON 3 FILES (HALF-HOUR EACH): { logging on to the DIALOG system  
NEWSSEARCH (FILE 211), LISA (FILE 61), CONF PAP INDEX (FILE 77). SEE ?NEWS.  
? begin 10 → specifying the AGRICOLA file  
10Aug79 12:34:12 User2337  
\$0.14 0.004 Hrs File#6  
File#10:AGRICOLA 70-78/DEC  
Set Items Description (+=OR \*AND\* --NOT)  
? s dairy(w)price(w)support → "search for the phrase dairy price support"  
1 11 DATRY(W)PRICE(W)SUPPORT → "there are 11 documents in the file with the specified phrase"  
? sdairy(w)price(w)supports 2 5 DATRY(W)PRICE(W)SUPPORTS → must specify plural  
? c 1or2 1 16 1OR2 → combine the singular and plural forms of the phrase, resulting in 16 items  
? t 3/5/1-2  
3/5/1  
1271467 251.8 R32 ID No: 77-9066484  
The cost of the U.S. Dairy price support programs 1949-74  
Helen, D  
Rev Econ Stat 59 (1977: 1-8, Feb 1977  
251.8 R32  
Search: 19770200  
Sources: OTHER US Doc Type: ARTICLE  
Cat Codes: 1020  
Descriptors: United States  
3/5/2  
1233506 KF27.A3326 1973 ID No: 77-9033075  
Statement of Hon. Bob Bergland, a Representative in Congress from the state of Minnesota Dairy price supports.  
Bergland, B  
US Confer House Comm Agric Subcomm Dairy Pwlt p. 43-44. 1973  
KF27.A3324 1973  
Search: 19730000  
Doc Type: MONOGRAPH  
Cat Codes: 1020  
Descriptors: United States Minnesota  
? logoff  
10Aug79 12:37:44 User2337  
\$1.50 0.060 Hrs File#10 11 Descriptors  
LOGOFF 12:37:47

a sample of set 3, with the phrases underlined

The topic of the search was "dairy price supports;" the file accessed was AGRICOLA, which is generated under the auspices of the National Agricultural Library, and made available through the DIALOG system.

easier access to the assemblage of information, data, files, and sources produced by the agency, a valuable research resource in itself. One of the more visible byproducts of the consolidation process was "GAO Documents." First made available in 1977, the publication provides a comprehensive record of current GAO reports, legal decisions, testimony, and speeches. It is produced monthly from a computerized data base maintained by the contractor-operated GAO Document Handling and Information Services Facility. The same facility can identify and provide copies of individual documents as well as research requests for information on GAO's publications by subject, issue area, budget code, or other such access point. Currently the facility responds to about 20,000 requests per month by GAO staff and others for GAO publications.

In July 1980, a 90-day experiment with GAO report distribution procedures was introduced by the Joint Committee on Printing in connection with its efforts to establish GPO as the central source for all Government publications. The Committee directed that the public had to purchase GAO reports from GPO, although GAO's Document Handling Facility would continue to fill requests from GAO staff members, as well as from the Congress, the press, libraries, and heads of Government agencies. The results, however, showed that GPO was ill-prepared to handle the distribution responsibility, and in September 1980 the Document Handling Facility resumed the task of providing reports to the public—this time as a designated GPO sales agent. All parties involved, including GAO's report customers, appear satisfied that this is the most effective and responsive arrangement.

Increasing the availability of information resources to its staff was essential for GAO to continue producing quality products in the sophisticated and complex environment in which it operated during the past 15 years. Resource limitations, a fact of modern life, increasingly required auditors to identify and build on the information developed by colleagues both inside and outside GAO. They then had to carefully assess their anticipated contributions in light of this information to be sure they would be addressing issues most deserving of attention.

## **Methodology For Performing GAO Reviews**

GAO auditors confronted increasingly difficult analytical problems and subject matters that defied effective analysis using traditional auditing skills and techniques. Their work evolved from financial and legal compliance audits to reviews of efficiency and economy of operations and finally to evaluations of program results and cost-benefit analyses of alternative approaches to deal with a problem or an issue. But as the late Ellsworth H. Morse, Jr., former Assistant Com-

troller General, once commented, the auditors' new type of work was:

\* \* \* not basically different from what he has traditionally done with financial transactions, accounting records, and financial reports. His work has always been aimed at evaluation. The extension of his function to program results merely moves him into a more difficult area \* \* \* 25

In fairness to the auditors, the difficulty was due not just to unfamiliarity with the methods and objectives of the social sciences and their usefulness in performing a growing part of GAO's work. The state of the art of program evaluation was itself still underdeveloped. Particularly for massive social programs, concepts and methods were needed to show what had been accomplished by a program compared to what had been intended and what had happened to people affected by a program compared with people who had not been affected. Then too, programs often lacked clear, specific goals and objectives and usable data for measuring results. The tasks of determining valid objectives and finding surrogate measures for levels of attainment or degrees of success or failure could be complex and frustrating indeed. It is hardly surprising that the process was once described as "nailing Jello to a wall."

GAO took action on many fronts to meet the changing demands of its work. The Technical Assistance Group in the Financial and General Management Studies Division and the Program Analysis Division provided technical assistance when requested on individual jobs and disseminated suggested methodologies and approaches throughout the Office. In addition, GAO began to diversify its staff—always considered its most important resource—by employing people with backgrounds other than accounting and auditing. (See ch. 12.) High-level experts, including a medical doctor, a mental health specialist, engineers, and economists, were added to the divisions where they assisted in program planning, consultation on job design, and review of draft reports. In a few instances specialists were added to the regional offices. GAO also made increasing use of consultants to integrate the work of other disciplines with its own and to bolster its credibility when studying problems not normally within the competence of auditors.

The adoption of PPMA was another step GAO took to focus the staff's attention on methodology. In the front-end assignment planning it called for, auditors were expected, in a step-by-step process, to:

- Substantiate underlying assumptions in the assignment.

- Assure that the basic data necessary to do the work was accessible and reasonably reliable.
- Identify special techniques, such as the use of computer analysis, questionnaires, and consultants, that could be used to develop issues.
- Consider alternative approaches and select the most desirable strategy for accomplishing the assignment objectives.<sup>26</sup>

What PPMA did not do, of course, was specify exactly how to go about doing any of the above. It provided a framework, but the filling-in had to be done by the individual teams.

At the Comptroller General's direction, the Office of Policy initiated a revision of the "Comprehensive Audit Manual" and the "Report Manual" in 1980. One of the major changes would be the incorporation of PPMA principles and other considerations relating to methodology. The revision plans called for a four-part manual. Part II, "Selecting, Designing, and Managing GAO Projects," was given priority and was thus the first part drafted. It included such innovative features as a checklist of questions that could be used to assess report quality; a detailed discussion of how and when to use quantitative techniques, standardized data bases, and sampling as methodological tools; and guidance on sources of technical assistance available in GAO.

These and other attempts to strengthen GAO methodology had a foundation to work from in existing guidance. The CAM stated in chapter 8, for example:

*Extreme care must be exercised \* \* \* to avoid projections of sampling results to activities, locations, or periods of time not included in the sample. "Iffy" projections are inappropriate where we have little or no idea whether the items or transactions sampled are representative. Unless we are able to demonstrate in the report that our tests are representative, the results cannot be projected.*

To some extent, therefore, GAO's task was not to introduce new principles but to reformat and make more visible those already promulgated.

#### **GAO METHODOLOGY COMES UNDER SCRUTINY**

Increasingly in the late 1970's, as GAO reports claimed a wider and more sophisticated audience, some of its methodology came under question. Criticisms were voiced in the Congress, the executive branch, and even inside GAO itself. The 1978 report of the House Select Committee on Congressional Operations noted that:

*With only very limited exceptions—notably in the work of the new Program Analysis*

*Division—the basic framework for the conduct of nearly all GAO studies may be characterized as a highly structured, expanded, and generalized version of the traditional approach to financial auditing.*

\* \* \* For many of the types of fact-finding that GAO now performs, however, this approach is overly detailed.<sup>27</sup>

Despite the CAM's prohibition of "iffy" projections from nonrepresentative samples, several GAO reports were criticized for relying on such projections. Articles appeared in periodicals such as Business Week and the National Journal questioning the quality of some GAO reports. Staats publicly defended the quality of GAO's work, but at the same time, he earmarked methodology as an area requiring greater vigilance.

In its 1978 and 1979 meetings, the Educator Consultant Panel expressed its concern over GAO's methodology. The members noted that the number of disputed reports had increased and warned that, unless GAO enhanced its methodological and research capabilities, it could lose credibility. In response, Staats requested PAD to establish a special panel of consultants to critique several GAO reports and comment on how GAO could increase its confidence in its methodology in the future. Ten consultants were selected from major policy research organizations and universities to examine 10 reports, selected because the divisions considered them "difficult." They represented a wide range of subjects, methodologies, and levels of sophistication.

The consultants met with top GAO management to present their comments and suggestions in a day-long session in December 1979. Their remarks on the technical aspects, presentation, and other facets of the individual reports they reviewed were forthright without being overly critical. The GAO participants' overall impression was one of having been helped, rather than attacked. Certain features of the reports did, in fact, receive substantial praise. In addition to commenting on the specific reports, however, the consultants discussed a number of issues which affected GAO's capability to do quality work. Key points made by one or more of the consultants follow:

- GAO probably does more evaluations than it should, given its present levels of staff and technical competence. It should confine itself to a few important "doable" jobs and thus gradually build up a reputation for quality in evaluation as it did in fiscal auditing.
- GAO should examine all requests for evaluations to determine if the questions being asked are the "right" questions and are, in fact, answerable. If necessary, GAO should

reformulate the questions asked into more answerable and maybe even more important questions. Such an exercise would involve, in part, reviewing the literature or previous work done in the area.

- Reports should more clearly state what the impetus for the evaluation was or what concerns it tried to address; how the data was collected; and any limitations that affected the results (time and resource constraints, availability of data, answerability of questions posed).
- GAO needs additional specialists but could not possibly hire them all permanently and remain an agency of reasonable size. Therefore, GAO should build up an in-house cadre of methodological generalists skilled in techniques such as statistical sampling and multiple regression and secure highly specialized competence from consultants. GAO may want to maintain a small network of "specialist-finders" who can quickly recommend additional sources of expertise. In addition, it probably should gradually identify areas of subject matter expertise in which it would be worthwhile to add an expert to the staff.<sup>28</sup>

The first step GAO took after the panel meeting was to promulgate a policy that GAO reports contain an expanded "scope, objectives, and methodology" section. It should provide a clearer idea of what was done, why it was done, and why the information found provided a sound basis for the conclusions and recommendations presented. The reporting format and level of detail of the objectives, scope, and methodology section would depend on the nature of the report. Then, in an April 18, 1980, memorandum, the Comptroller General announced that GAO needed to improve its assignment planning and methodology in general and to identify and give special attention to specific projects which were notably costly, sensitive, and/or complex. To accomplish these objectives, he:

- Strengthened the Assignment Review Group, changing it from an advisory group to one with the authority to direct a division to alter the plans for a job. He designated John D. Heller as Assistant Comptroller General for Policy and Program Planning to chair the group.
- Designated Harry S. Havens, then Director, PAD, as Assistant Comptroller General for Program Evaluation.
- Established an Institute for Program Evaluation which would be responsible for providing technical assistance; performing methodology development; conducting transfer studies as well as some specific program evaluation assignments deemed costly, sensitive, and/or complex; revising

GAO policy on conducting program evaluations; and developing a professional interchange program with other evaluation experts to periodically assess its activities and the quality of GAO's program evaluation methodology.

- Directed that the initial staff of the Institute would consist of the program evaluation staff from PAD and part of the Technical Assistance Group from FGMSD.

He also alluded to, but did not specify, actions to improve the use of consultants, technical training, and recruitment. The signal was clear: more needed to be done to assure that GAO appropriately used the best available methodology in its studies, whether they were compliance audits, economy and efficiency reviews, or program evaluations, and more needed to be done to gain respect and acceptance in the evaluation community.

## **Communicating GAO's Message**

The General Accounting Office is a publisher. The written report is GAO's primary product; most of its work, from fiscal audits to policy analyses, must be packaged in this way if the Congress, Government officials and employees, and the public are to fully benefit. The agency increasingly realized that no matter how well an assignment was planned and executed, the entire effort was futile if the results were not effectively communicated. GAO placed high priority, therefore, on improving the presentation and organization of its reports.

This was not a simple task. Several facts of life in GAO militated against the production of topnotch written material by a group of auditors. For one thing, the majority of the staff came from academic backgrounds other than liberal arts and, therefore, had not had extensive literary experience. This fact led the Comptroller General to remark once that the greatest shortcoming of new employees was their inability to communicate effectively. In addition, reports were seldom composed as an integrated whole; instead, they were usually pieced together in stages from workpaper summaries. Similarly, the formidable hierarchical review and revision process to which reports were subjected made them a group product, not the work of a single, skilled writer. It also had the effect of weakening auditors' identification with the written product they had contributed to and, thus, their sense of responsibility for its literary quality as well.

GAO worked to improve the readability of its reports in several ways. Writing training was one. An extensive writing improvement program was launched in 1969. Early efforts concentrated almost exclusively on grammar and usage and, thus, were too narrow in scope to effectively tackle GAO's systemic writing problems. By 1972 three levels of courses—roughly, introductory,

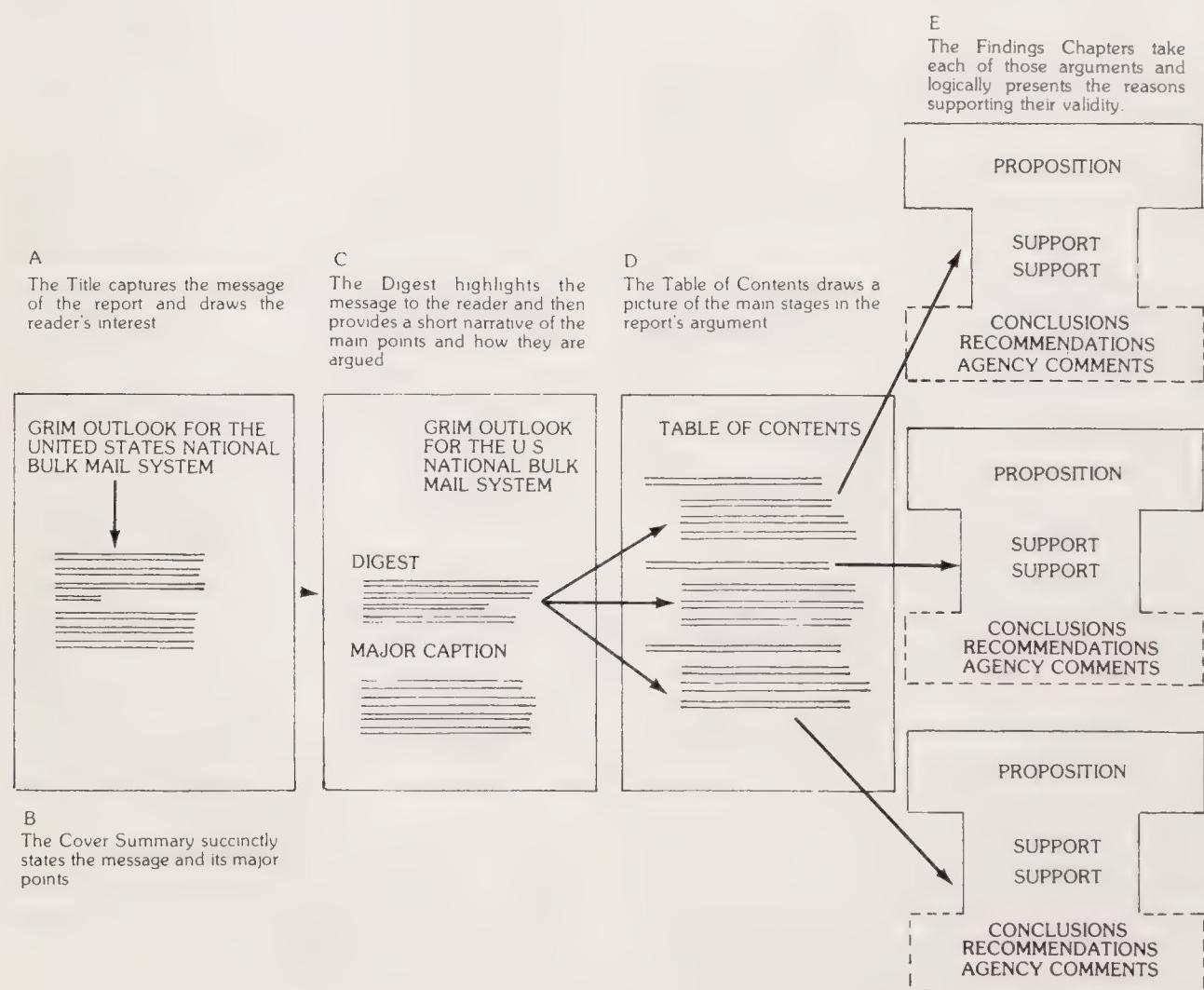
intermediate, and advanced— were offered to meet the writing needs of auditors at successive stages in their careers. These levels have been retained in the present training program, but since the mid-1970's they have been infused with the POWER principle.

The POWER (Producing Organized Writing and Effective Reviewing) course is the heart of the program. Developed by consultants and revised no fewer than four times internally, POWER is offered to persons in grades GS-12 and up. Its basic principle is that a general-to-specific, or deductive, structure is easiest for readers. POWER applies the deductive principle at the paragraph level first and then extends it to sections and chapters. The course also includes a unit on report review, asserting that a knowledgeable reviewer who can not only spot problems but ar-

ticulate them and their solutions to subordinates can be an effective reinforcer of the course principles. "Common standards, common principles, common perceptions, common vocabulary—when writer and reviewer have these, they're a team."<sup>29</sup> Evaluations of the effectiveness of POWER indicate it has improved both writing and reviewing skills. Options for followup training along the same lines as POWER are now being explored.

Another way GAO has tried to improve its written products is by making editorial services available to the divisions. Throughout most of the period, the editorial staff was a centralized unit to which reports were sent in the very last stages of production. At first the editors did little more than check out the reports for grammatical correctness and conformity to Government

**Figure 11-6**  
**How The GAO Report Presents Its Message**



**Source:** "Checklist for Report Writers and Reviewers"

Printing Office style in the brief turnaround time allowed. Then in 1972, management gave them the latitude to make more substantive changes, though the auditors responsible for the reports had the authority to accept or reject the changes. The auditors generally accepted the changes, although the changes sometimes required additional referencing. Problems occasionally arose, however, when reports dealt with complex, technical subjects and the editors' recommended changes would have altered the meaning.

By late 1978 GAO had decided to decentralize the entire report editing staff and integrate it into the divisions and regions. This arrangement made the editors more accessible to the auditors and allowed them to get involved earlier in the report process. The division audit staffs also had complete control over the report process from the start of a job to the submission of a report to printing, and reports could be issued on a more timely basis.

In theory, the decentralization would also allow editors to be assigned to a review on a part-time basis, particularly during the planning phase. They would be able to help specify reporting objectives by developing a tentative report digest and table of contents which would identify the major points to be developed in the report. The theory, however, has not yet become a reality.

The extent to which regions and divisions take full advantage of this possible resource varies. Division editing staffs typically have remained quite small, and their ability to provide input early in jobs is often limited by the more urgent tasks of final editing and report production.

In 1979, a "Checklist for Report Writers and Reviewers" was prepared and distributed to all professional staff members. A joint project of the Office of Policy and the Office of Publishing Services, the checklist standardized the report format and articulated conceptually how a report should be organized. It broke a GAO report down to its components—cover, transmittal letter, digest, etc.—and posed questions to use in judging how well each was written. The booklet included reminders of GAO reporting policies, principles taught in POWER, recurring reporting problems, and technical reporting requirements. GAO staff found it a useful reference tool, due largely to its handy "cookbook" approach.

The state of GAO prose improved over the years but certain problems remained. For example, GAO's writers still too frequently used buzz words, such as "optimum" and "impact" (as a verb) and wrote in the passive voice. As Staats wryly admitted at one point, GAO still used too many words and too much paper to convey its message. His specific concerns, as he



**GRAPHICS TECHNICIAN** prepares visual aids for a GAO report.

expressed them in November 1979, were as follows:

*Most of the reports that cross my desk are of a high quality both in content and form. The exceptions, however, continue to trouble me. \* \* \* the written presentation of our audit results sometimes does not meet our highest standards. Specifically, some of our reports do not pay sufficient attention to the essential principles of effective composition. They do not lay out clearly, concisely, and unequivocally the major points being made, and often compound this problem by ineffectively organizing supporting evidence.<sup>30</sup>*

## VISUAL AIDS

The visual quality of GAO's reports received as much emphasis from top management during this time, as did the writing quality. As early as 1967, the Comptroller General requested that much more be done to include appropriate illustrative material in reports.<sup>31</sup> He wanted visual aids to be considered in planning the assignment so visual information about a problem could be obtained as work progressed. These aids increased report processing time and costs and thus called for careful evaluation and special approval beforehand. However, where they were used, the effect was striking. For example, a report dealing with the rather dry subject of "Projected Timber Scarcities in the Pacific Northwest: A Critique of 11 Studies" (EMD-79-5, Dec. 12, 1978), helped the reader understand the major features of the review studies and the differences between them by incorporating 13 charts and/or graphs in the text. In other cases attention-getting graphics were even placed on report covers. "The 55 Mile Per Hour Speed Limit: Is It Achievable?" (CED-77-27, Feb. 14, 1977), for example, substituted a picture of a speed limit sign for the first seven words of the title on the cover.

## NEW REPORT FEATURES

Finally, GAO changed the format of reports to communicate the basic message clearly and quickly to the widest possible audience. These changes included organizing reports into chapters, making report titles more descriptive, and adopting the use of digests and cover summaries.

Digests were introduced to give readers a short narrative of a report's principal points and the evidence supporting them. They were intended to read like a press release, to be no more than four pages long, and to be organized under mandatory section headings. Typically the auditors "composed" them by excising key passages from the report text and placing them in a logical sequence. In 1975 the mandatory headings were abolished and digests were required to be individually written. At the same time cover summaries were instituted—quick summaries of

a report's essence and what GAO is recommending—to be placed under the report title on the cover. These digests and cover summaries were important because they were the first—and often, the only—sections of reports widely read.

The Comptroller General's long-sought goal was to have the digests read like a good article in a large daily newspaper. He liked the way the journalistic style communicated the essential message clearly and quickly. To help achieve this goal, a requirement was established that all digests be reviewed by the Information Officer. This review was only advisory, however, and more often than not, the auditors who composed the digests had the last word—completeness and accuracy often prevailed over readability (even though they are not necessarily incompatible). However, if not typically of New York Times quality, the digests were a welcome addition to readers pressed for time in the Congress and elsewhere.

The trend toward summarization of GAO's report message continued to the end of the 15-year period. In May 1980 GAO stopped sending copies of unrestricted reports to the Congress to all but the reports' primary customers. Those recipients earmarked for "recurring subsequent distribution" are sent only report "summaries" consisting of the cover, the digest, and the table of contents. Recipients of these summaries are, of course, entitled to request copies of the full report if they desire. A test of the procedure in 1979, in which more than 2,000 summaries of 3 reports were sent out, yielded only 33 requests for the full reports—a 1-1/2-percent request rate. GAO anticipated that the new procedure would result in printing cost savings of between \$100,000 and \$200,000 a year.

In all, GAO staff appeared to be making strides in report writing and presentation. In 1979 a consultant reported that the level of consciousness about effective communication had risen considerably in GAO over the years and that the quality of the written products had markedly improved. If certain problems remained, the agency was at least on the right track:

*Increasingly \* \* \* the agency is realizing that very particular skills are needed to organize and present the data that a management analyst discovers. The agency now acknowledges the extent to which the presentation of the data can make or break the audit itself.<sup>32</sup>*

## Internal Review And Final Processing Time

Once a GAO staff has systematically planned an assignment, carried out all work steps, and written a draft report, it still faces another hurdle in getting out a product that is both timely and effective—report processing and review. As

mentioned earlier, for many years GAO looked at this phase of its work, concluded this was the problem, and tried to do something to streamline it. Not all GAO's efforts were successful. The reason is probably due, in part, to the fact that the quest for infallibility is at least as deeply embedded in GAO's organizational culture as is the quest for timeliness. Perhaps it is more so because an emphasis on the accuracy of facts and figures is a classic feature of traditional auditing and the hallmark of the agency's reputation for credibility.

GAO has always taken pride in the thoroughness and factual reliability of its work. Over the years it has developed rigorous quality controls to help ensure that its reports are accurate, are supported by sufficient documented evidence, and are clearly written. These quality controls, spelled out in detail in the "Comprehensive Audit Manual" and the "Report Manual," include:

- Independent referencing.
- Agency review and comment.
- Supervisory review by division officials.
- Review by the Office of Policy, the Office of the General Counsel, and editorial staff

on substantive, legal, and language/format matters.

Reviews by the Office of Policy and the Office of the General Counsel are mandatory only for reports drafted for the signature of the Comptroller General; these, however, constitute the bulk of GAO's work.

Although GAO's reputation for excellence and integrity testifies to the utility of the various controls, they do take their toll on timeliness. As part of a comparative study of the four congressional support agencies sponsored by the Commission on the Operation of the Senate in 1976, Ernest S. Griffith sent a series of questionnaires to Senators and committee and subcommittee staff directors asking opinions on the agencies' products. The general response regarding GAO's products was that, while they were of high quality, the review process was so involved that they were often too late to be really useful.<sup>33</sup> The House Select Committee on Congressional Operations found in its 1978 study of GAO that:

*The principal cost of superaccuracy or unnecessary accuracy is not so much in the*

## **Messages From The Media**

As more and more GAO products found their way into journalistic circles, they began to be scrutinized for not only their basic message but also their presentation. Media critiques, while not always complimentary, helped to keep GAO's writers from becoming complacent and to increase the Office's determination to improve its communications.

No one was more sensitive to media attention than the Comptroller General; one GAO manager recalled him saying: "We should always keep in mind that our reports are not only written for the Congress but for the media as well."

One recurrent source of feedback was the Washington Star's "Gobbledygook" column. It reprinted each day examples of obscure communication found in Government reports, periodicals, and memorandums. Several GAO products were cited. While most were legal decisions, several audit reports received this dubious distinction. For example, the following item appeared in the March 18, 1977, column:

*From a report on services to Indian Head Start grantees:*

*We recommend that the Secretary of HEW direct the Director, Office of Child Development, to insure that the Division's review of its specialized and general training and technical assistance programs include an evaluation of the most effective method of providing assistance in implementing the specialized training and technical assistance program and that the findings of the evaluation are implemented.*

While using nearly 60 words to make up one sentence is remarkable in a way, the Comptroller General was not pleased with such an "accomplishment." He let it be known that he was concerned over the references to GAO reports appearing in this column.

Apart from the gobbledegook, the media comment on report quality that probably sent the most ripples through GAO was one personally addressed to Staats by syndicated columnist James J. Kilpatrick. In a 1977 letter, he made the following observations about the typographical quality of a recent report:

*As a working newspaperman, I am ordinarily a faithful reader of your nice bluebound GAO reports to Congress, but I am getting less faithful as time goes on \* \* \* my confidence is shaken in them.*

**(Continued Next Page)**

detailed review and referencing procedures (as time-consuming as they are) as in the time of the auditors or other factfinders and analysts in searching out and compiling such completely verifiable data in the first place, and in polishing working papers or other documentation to reflect all of that accuracy for the reviewer and referencer.<sup>34</sup>

Frederick C. Mosher suggested in "The GAO: The Quest for Accountability in American Government" that GAO's normal fastidiousness as an agency firmly rooted in accountancy was intensified by the "zinc stink" experience of 1955. In congressional hearings on a controversial GAO report alleging questionable Government practices in procuring zinc for strategic stockpiles, Comptroller General Campbell was forced to admit errors in the report. It seems the memory of this damaging revelation influenced reporting practices from that time on.<sup>35</sup>

Perhaps, then, it is not so much GAO's quality controls themselves that have impeded timeliness as much as it is the attention to detail they

may have inspired and the ritual-ridden way they may have been applied.

#### POLICY REVIEW

In November 1966 the Comptroller General established a task force, headed by Assistant to the Comptroller General Lawrence J. Powers, to study the problems related to report processing. The task force found that the time taken to process reports to the Congress was consistently excessive—especially when compared with the time taken to do the audit work. In fact, the average time taken to process reports was 380 calendar days. This was not surprising in view of the fact that the typical report underwent about 14 reviews involving as many as 20 individual participants. In its January 1967 report, "Observations and Recommendations Relating to Processing of Audit Reports," the task force encouraged reducing the number of reviewers and the number of reviews directed at both substantive issues and personal preference matters of language and presentation.

### Messages From The Media—Continued

I note from the cover page [of one recent report] \* \* \* that the study was for the Department of Transportation. On page 1 and again on page 14, I see that something was blatent. On page 11, existance. On page 7, fatailties. On page 10, adversly. Your authors do not appear to understand, on page 3 and again on page 10, usage of between and among. And so on.

This may impress you as nit-picking, but I have been in the writing and editing business long enough to know that carelessness in small things implies carelessness in large things also. I respectfully submit that someone in your publications division needs a jacking-up.

As it turned out, this particular report had been processed outside the Publishing Branch due to a backlog and so had not been subjected to all GAO's normal quality control procedures. Nevertheless, GAO's concern about customer reaction to its products led it to institute several new procedures, including a series of reviews to monitor quality.

Happily, the fruits of these and other improvement efforts also received their share of attention. A 1978 article in the Federal Times had this to say about a new booklet, "GAO Ethics Code," produced by the Office of the General Counsel:

And in the joyful spring spirit, we follow here with kind words for a government booklet. Since we are all the time griping about Federal gobbledegook and unreadable Federal instructions on tax forms and whatever, we think it's only proper to note a government publication that says what it has to say in clear, unmistakable English.

\* \* \* \* \*

Our congratulations to GAO \* \* \*. Would that other agencies that pass out gobbledegook on the same subject follow GAO's lead.

The Washington Star—in a switch from its nemesis posture in "Gobbledegook"—described GAO's writing improvement program, highlighting the POWER course, and stated that, "From the top down, agency employees have been told they must know how to write so their readers can understand."

Clearly, if readers do not understand, they have only to let GAO know.

## Figure 11-7

### Report Draft Routing Form (Circa 1976)

Report title (code) _____	control case number _____				
Requester _____					
Audit site/Assistant Director/Supervisor _____	Associate Director _____				
From	To	Action	Message	Date	Remarks (can use reverse)
1. Audit site	Associate	<input type="checkbox"/>	Subject report forwarded for your review		
2. Associate	Audit site	<input type="checkbox"/>	Returned; revise to recognize my comments		
3. Audit site	Associate	<input type="checkbox"/>	Report ready for preliminary review		
4. Associate	Director	<input type="checkbox"/>	Report forwarded for preliminary review		
5. Director	Reviewer	<input type="checkbox"/>	Designated as Director's Reviewer:		
6. Reviewer	Associate	<input type="checkbox"/>	Returned, see separate memorandum		
7. Associate	Audit site	<input type="checkbox"/>	Returned; revise to recognize review comments		
8. Cleared reviewer's comments					
9. Audit site	Associate	<input type="checkbox"/>	Report revised to recognize review comments		
10. Associate	Director	<input type="checkbox"/>	Report ready for your review		
11. Director	Associate	<input type="checkbox"/>	Returned; see separate memorandum and/or marginal notes		
12. Associate	Audit site	<input type="checkbox"/>	Returned, revise to recognize Director's comments		
13. Audit site	Associate	<input type="checkbox"/>	Report revised to recognize Director's comments		
14. Associate	Director	<input type="checkbox"/>	Report revised to recognize your comments, letters to agencies for Director's signature attached		
15. Director	Associate	<input type="checkbox"/>	Report approved, send to agency for comments		
16.	Sent to agency and other parties for comment				
17.	Sent for preediting				
18.	Preediting cleared				
19.	Sent for typing				
20.	Reading of typed report				
21.	Agency and other parties' comments received				
22. Audit site	Associate	<input type="checkbox"/>	Report ready for final review (see Chapter 19 of Report Manual for forms and documents to accompany the draft report)		
23. Associate	Audit site	<input type="checkbox"/>	Returned; see separate memorandum and/or marginal notes		
24. Audit site	Associate	<input type="checkbox"/>	Report ready for final review		
25. Associate	Director	<input type="checkbox"/>	Report ready for final review		
26. Director	Associate	<input type="checkbox"/>	Returned; see separate memorandum and/or marginal notes		
27. Associate	Audit site	<input type="checkbox"/>	Review to recognize Director's comments		
28. Audit site	Associate	<input type="checkbox"/>	Report revised to recognize Director's comments		
29. Associate	Director	<input type="checkbox"/>	Report revised to recognize your comments		
30. Director	Associate	<input type="checkbox"/>	Report approved		
31. Associate	Audit site	<input type="checkbox"/>	Prepare for editing; clear Information Officer		
32.	Cleared Information Officer				
33. Audit site	Associate	<input type="checkbox"/>	Report ready for final editing		
34. Associate	Director	<input type="checkbox"/>	Report ready for final editing		

The task force recommended that a full-time functional assistant-in-charge of reporting be installed in the major groups of the operating divisions. It envisioned that the concentration of one key person on reporting would improve report quality to the extent that subsequent reviews, including that by the Office of Policy and Special Studies (OPSS) (now the Office of Policy), could be limited solely to major issues. Two other full-time functional assistants were recommended for planning and audit execution. The task force also recommended that time standards be established for the major steps involved in report processing, with all steps to be accomplished in about 210 days. The stated reasons for this recommendation are a distant echo of some of the purposes behind PPMA today:

- To emphasize timeliness in assignment performance and reporting.
- To identify reporting problems and bring them to the attention of management officials.<sup>36</sup>

Staats endorsed the task force recommendations and even called for a test of the use of functional assistants. This concept never really caught on, however, and the Office's report processing problems remained.

In 1970 the Committee for Improvement of Report Processing and Review Procedures was established under the chairmanship of Victor L. Lowe, then an associate director in GAO's Civil Division. The Committee members did not mince any words describing the situation they found:

*Processing a report through the existing procedures in GAO involves as many as 50 reviews and is trying in the extreme. After going over all of the steps involved, the Committee is not surprised that it takes so long. That reports get out at all is a tribute to the persistence of GAO staff members.*<sup>37</sup>

Some progress in timeliness had been made, but performance still varied significantly from the time standards cited in the task force report of January 1967. For reports issued to the Congress in fiscal year 1970, the average elapsed time from first draft to report issuance was 8 months in the Civil Division, 11 months in the Defense Division, and 13 months in the International Division.

The task force made recommendations relating to virtually all aspects of report processing. Perhaps the most substantive one was that relating to review by OPSS. At that time policy review took as long as 30 days. Reviewers wrote lengthy memorandums to the operating divisions containing detailed comments on reports sub-

mitted. As the January 1967 task force report had lamented, the comments related not only to policy matters but to spelling, wording, grammar, and presentation. Not all comments were considered "substantive," but those that were had to be resolved to OPSS' satisfaction. Often division directors had to enter into a process of negotiation with OPSS. Essentially OPSS was acting as division report reviewer, raising questions that should have been raised much earlier and at the operating division level.

The task force members stated unequivocally that the OPSS' role should be limited. They believed that OPSS should review reports only for major issues and should review them only after they had been prepared in final form. Furthermore, the end result of such review should be a recommendation in writing that the Comptroller General either sign the report or not sign it. In the task force's opinion, the majority of reports would not be challenged by OPSS, and thus the time required to process them would be significantly reduced. Even for those reports which required revision, it was expected they would be issued in less time than under the prevailing system. The recommendation for OPSS to prepare "go/no go" memorandums on reports reviewed was implemented, reducing the timeframe required for that stage of processing. Currently this review takes about 7 calendar days. Furthermore, since April 1975, it has been performed concurrently with review by the Office of the General Counsel and with the final typing and proofing operations.

#### REFERENCING

According to the "Report Manual," "referencing" is an important quality control feature that helps ensure report contents are accurate and are adequately supported. Each report is expected to be referenced. Traditionally, a staff member who has not been directly associated with an assignment independently makes a word-by-word, line-by-line examination of a report and supporting documentation to determine whether they adequately support the findings, conclusions, and recommendations in the report. Although before 1978 the "Report Manual" required that all reports be referenced before issuance, some in GAO viewed the utility of this process with skepticism on several grounds. First, the process itself consumed time as did the painstaking efforts the staff made to ensure that every line of a report and every workpaper could pass the referencer's inspection. Second, referencing is viewed by some as reflecting a lack of confidence in the professional capabilities of the staff and as shifting responsibility and accountability away from those who prepare the report. In the interest of both timeliness and accountability, then, the Task Force on Improving GAO Effectiveness recommended that the divisions be

given greater flexibility in determining the means for ensuring that reports are accurate and adequately supported. The Comptroller General endorsed this recommendation, and in March 1978 the "Report Manual" was revised accordingly.

In late 1979, Staats asked the Office of Policy to study current referencing practices, and to determine the extent to which alternatives to referencing were being used, and what changes, if any, were needed. Policy found that GAO managers had not used available alternatives, such as personal verification by an assignment manager or a group director of certain key facts and positions or a critical review by a panel of experts, to the extent possible. When they did select an alternative method, they sometimes chose one that fell short of ensuring factual accuracy. Consequently, Policy revised the "Report Manual" again to tighten up referencing procedures a bit. Under the new procedures, draft reports may be subjected to either traditional comprehensive referencing or selective referencing of statements considered critical. At a minimum, selective referencing is expected to verify the accuracy of any quantitative data.

When asked about referencing, the Comptroller General summarized his frustration by stating simply, "I have given up!" As GAO continues to become more involved in program evaluation and policy analysis, referencing might be expected to undergo even more changes in the future. Other fact-checking procedures may be more efficient and more relevant.

#### **AGENCY COMMENTS**

The practice of submitting draft reports to agencies for advance review and comment was formalized into written GAO policy in the mid-1950's. The Comptroller General always supported this practice. As he told a subcommittee of the House Government Operations Committee in 1975:

*When I took office in 1966, I carefully examined the existing policy and endorsed it. I believe this procedure helps to assure the factual accuracy of our reports. Moreover, when the agency disagrees with our findings, conclusions, and recommendations, the Congress is entitled to the agency's position as well as our own.<sup>38</sup>*

Until the late 1970's, GAO's basic policy was to request formal written comments on self-initiated reports to the Congress, committees, and members. The maximum time prescribed for the return of comments was 60 days. Comments were then incorporated in the report to the extent appropriate for a proper presentation. According to the Task Force on Improving GAO Effectiveness, obtaining and evaluating comments took

close to 3-1/2 months on the average. On request assignments, the requester's wishes were controlling on whether written comments were obtained, and usually the requester did not want them.

The task force established in 1966 to study report processing singled out the time normally taken to obtain agency comments as being particularly susceptible to reduction and, therefore, recommended that comments be solicited immediately upon completion of audit work on an assignment, before the report was finalized. A May 1968 memorandum from the Comptroller General recommended more active followup after draft issuance as a timesaving tactic.

In 1974, Staats directed that drafts be transmitted for comment only at the division director level because of the importance he attached to the draft reports. This requirement frequently led to pretransmittal delays while the draft

- was reviewed by the division hierarchy before being submitted to the director,
- awaited review by the director,
- was reviewed by the director, and
- was revised based on the various reviews.

The Task Force on Improving GAO Effectiveness recommended that both written comments and the 60-day timeframe be exceptions—to be applied in controversial or sensitive cases—rather than rules. As he did with the other task force recommendations dealing with quality controls, Staats endorsed the call to flexibility. Emphasizing that GAO's objective was to adequately reflect agency views in its reports, he encouraged divisions to do this informally if possible. He also directed them to keep the time allowed agencies to formally comment to a minimum. The "Report Manual" was subsequently revised to state that the normal time allowed would be 30 days.

In the meantime, the House Select Committee on Congressional Operations had also noted the delaying effects of the time allowed agencies to submit comments. While its 1978 report recommended generally that the time required for report preparation and review be substantially reduced, it made a specific recommendation for reduction at the advance comment stage. GAO had, of course, already addressed this problem, but the Comptroller General took the additional step of getting the relevant Office of Management and Budget guidance to Federal agencies revised to emphasize the need for agencies to respond to draft GAO reports within the time allotted.<sup>39</sup>

The Congress looked favorably on the 30-day timeframe—so much so that under the GAO Act of 1980, 30 days became the maximum amount of time GAO can give an agency unless the agency can show that a longer time is necessary and that the comments are likely to im-

prove the accuracy of the report. Under no circumstances may this time period exceed 60 days.

Divisions appear to be taking advantage of the flexibility introduced into the comment process. Over half of GAO's reports are sent to the Congress without formal written comments from the agencies.<sup>40</sup> Office policy requires, however, that even when oral comments are obtained, the auditors obtain some indication from the agency officials reviewing the report that they agree with the proposed treatment of their comments.

## ADMINISTRATIVE ASPECTS OF REPORT PROCESSING

Streamlining was also achieved in the administrative end of report processing. These procedures were routine but could be very time consuming nonetheless. Around the mid-1970's several changes were introduced into processing that reduced the elapsed time involved. Word processing equipment which simplified and speeded up the production and revision of copy was introduced for final typing. Also, reports began to be printed after they were signed instead of before, eliminating extensive reprinting if the reports were changed during final review by the Comptroller General and other review staffs such as the Office of Policy and the Office of the General Counsel. This change also eliminated a potential source of errors in the final report because new pages were no longer thrown out by mistake and old ones reinserted and printed. Finally, GAO began to use contractors for some of its printing workload. This decreased processing time and opened the way to greater productivity.

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# Chapter 12

## Diversifying The Agency's Personnel

The composition of GAO's work force and the Office's method of managing it both changed significantly between 1966 and 1981. After a period of growth in the late 1960's and early 1970's, employment leveled off. The number of accountants and auditors on board in 1966 was gradually supplemented with graduates in economics, statistics, computer technology, business and public administration, and other disciplines. By 1980, about half the staff had backgrounds other than accounting. This new cadre contributed broader analytical skills to GAO's work through their diverse educational backgrounds and experience. Their presence went hand in hand with GAO's expanded coverage of Federal programs and activities and the move to program evaluation. But the identification, recruiting, and hiring of the new types of people needed to carry out GAO's ever-changing mission became a challenge in light of Civil Service Commission (CSC) constraints and some internal resistance.

GAO's personnel management practices underwent many changes during the period. Within the framework of overall guidance provided by GAO headquarters and civil service rules and regulations, each division and regional office used different performance standards, promotion policies, and the like to manage its human resources. Before the Comptroller General's arrival and for many years thereafter, central recruiting and staff development were geared to achieving organization goals and became the heart of GAO's central personnel operations.

Starting in 1969, GAO began to modernize its personnel management system, a process which continues today. The staff development and personnel regulation functions of the personnel system were split in 1975 and put under separate organizations. Additional staffing, management and organizational changes continued through the early months of 1978. Eventually GAO began professionalizing the Office's personnel management operations and gained the Congress' approval for a separate personnel system.

Many of the decisions and events occurring in the late 1970's—accelerated recruiting of minorities and women, a CSC audit, and continual revisions in the competitive selection process—evidenced the difficulty of managing so diverse an organization as GAO is today.

### Building And Diversifying The Professional Audit Staff

GAO started to shed its image of a "green eye-shaded" clerical organization and to become a truly professional audit organization with the establishment of the Corporation Audits Division and the hiring of the first large block of professional accountants in 1946. However, it was not until Comptroller General Joseph Campbell's appointment in 1954 that a broad-scale hiring and development program to increase the number of professional accountants, agencywide, got underway. Hired by Campbell in 1955, Dr. Leo Herbert (Director of GAO's Office of Personnel Management 1969-75), a former accounting professor, inventoried GAO's staff qualifications. He agreed with Campbell that GAO was suffering because most staff were not qualified to perform the type of audits Campbell thought GAO should be doing. Thus, Campbell asked Herbert to establish a program so that GAO's professional staff would mirror the typical certified public accounting (CPA) firm of the day. Herbert designed a professionalization program intended to enable all recruits to attain the level of GS-14—a level to which Herbert thought GAO's professional auditors should aspire. A professional auditor, in his opinion, was highly skilled in audit theory and practice, knowledgeable of GAO and the Federal Government, and able to manage any audit assignment. Herbert retired in 1974 after 20 years of GAO service, to return to collegiate education; his contribution to the Office reflected in the professionalization program GAO implemented.

The program designed by Herbert and others in GAO focused on three activities—recruiting, training, and rotating staff among the audit groups.

First, GAO sought to hire the top college graduates with accounting degrees. The CPA firms, with their extensive recruiting programs and attractive salaries, usually hired the "cream of the crop," so Herbert had to find ways to compete with them or draw qualified candidates from other sources. He began by establishing personal contacts with the deans and professors of accounting at numerous colleges and universities and setting up an Educator-Consultant Panel.\*

\*The panel's initial role was to assist GAO's recruiting efforts but has since changed to include broader subjects. (See ch. 7.)

GAO then convinced CSC to grant GAO direct hire authority because of a shortage of qualified candidates on CSC registers. With the help of this authority and some hard digging at small colleges for qualified applicants, GAO was soon able to hire what Herbert believed was the cream of the crop of accounting graduates.

Second, GAO established a training program for all auditors—from first-year staff to supervisory staff and mid-level managers. Central to it was a theory of auditing, developed by Herbert and others, intended to enable auditors to examine any Federal program and identify its strengths and weaknesses.<sup>1</sup> Known familiarly to GAO staff as the theory of “criteria, cause, and effect” this concept was quite simple.<sup>2</sup> By knowing the criteria or standards by which a Federal program or activity operated and identifying the status of that program at a particular time, an auditor could determine the difference between how the program *should be* functioning and how it *was* functioning. Applying the theory was more difficult, but by using typical audit techniques, auditors could identify the cause and effect of that difference. Criteria, cause, and effect, of course, were the makings of a GAO report.

GAO also emphasized the importance of attaining CPA certificates and offered CPA review courses for those striving for them.

The third phase of the professionalization program was staff rotation—familiarizing staff with several aspects of GAO audit work and the environment in which it operated. Rotations were generally made within a division, but occasionally also between the divisions, especially in the first year. By the time auditors became GS-13's or GS-14's, they were expected to be knowledgeable of many Federal activities and most GAO operations. The auditors were then prepared to take on any assignment. However,

many auditors tended to specialize in particular functional areas as they gained experience and advanced in grade levels and found areas that particularly interested them.

In addition to ensuring competence in audit theory and practice, Herbert's training and professional development programs were geared to creating loyalty to GAO among staff members that encouraged them to remain with the Office for their entire careers. Many considered this “cradle to grave” philosophy to be vital in meeting organization goals. Advocates contended that staff could be molded as desired to achieve goals with little of the disruption caused by frequent turnover.

#### **PROFESSIONALIZATION CONTINUES UNDER STAATS AND DIVERSIFICATION OF STAFF BEGINS**

Although Herbert and others continued the professionalization program after 1966, changes in the national work force and anticipated work force needs influenced the makeup of GAO's staffs. By the late 1960's, qualified accounting graduates were becoming more scarce and GAO could not fully meet its recruiting goals. The Office had to look to other disciplines. About this time the Comptroller General and others were also expressing an interest in broadening the knowledge base of GAO staff because of the changing nature of the Office's work. Gradually GAO changed from an army of accountants and auditors to an army of interdisciplinary evaluators.

But which disciplines should GAO choose from and how could it comply with CSC qualification standards for the job series applicable to GAO? GAO officials realized that academic training in accounting did not give students any unique analytical skills or knowledge needed for the type of work GAO did at the time. Much of GAO's work was expanding beyond financial and management auditing and was gravitating toward a new type of review—program effectiveness. GAO personnelists studied which qualities were evident in their most competent and successful staff members and found that intelligence, an aptitude for analysis, and common sense were critical. Expanding the knowledge base gradually, GAO sought graduates in business administration and related fields. Bound by CSC qualification and classification standards, GAO hired these graduates not in the GS-510 Accounting series, which required at least 24 hours of accounting, but in a new specialization, the GS-343 Management Analysis series called GAO Management Auditor. To better assure these new recruits had the minimum knowledge necessary to work in a financial environment and assimilate audit techniques, GAO and CSC came



**ORIENTATION SESSION** for first-year GAO audit staff

to an agreement that recruits must have a minimum of 6 hours of accounting courses. Initial efforts provided minimal results, but by 1970 GAO was hiring a mix of persons from accounting and other disciplines, most of whom were expected to perform on any of various audit assignments, regardless of their college training.

Both the expansion of GAO's work and the decision to hire staff members other than accountants encountered subtle opposition in some corners of the Office. But experience with the new work and determination to bring in staff from new disciplines overcame this opposition. The Office began to recruit an interdisciplinary staff giving GAO the new resources it needed—staff educated in the principles of management and business or public administration who could apply their own sets of skills to examine and evaluate the management and outcomes of agency programs and activities.

Still finding it difficult to achieve recruiting objectives and hampered by CSC qualification and classification standards for accountants and auditors, GAO sought and eventually received from CSC in 1973 authority to hire under a sep-

arate specialization in the accounting series. CSC also authorized GAO to continue to offer special rates, that is higher salaries, to use with the new titles—GAO Auditor and Supervisory GAO Auditor. The approval of these titles, along with the GAO Management Auditor specialization, while not fully descriptive of GAO's work responsibilities, was the beginning of CSC's recognition that GAO auditing was not the same as that of other Federal agencies.

CSC classification standards defined accountant and management auditor positions within the bounds of internal control and evaluation of management functions within a given agency. The standards did not fully apply to the broader scoped work of GAO and its external reporting to the Congress. The GAO specializations gave the Office wider latitude in hiring, but it did not resolve the fundamental dispute the Office had with CSC—position classification. GAO began efforts as early as 1973 to develop a single agency standard. Nothing came of this effort until 1977, after CSC audited GAO's personnel management program.\*

Between 1967 and 1975, direct hire authority aided GAO in hiring the people with the knowledge and expertise thought necessary to accomplish its work. CSC revoked GAO's direct hire authority completely in 1975 because, in CSC's opinion, it was no longer needed, but allowed the Office to establish and maintain a special register of applicants from both GAO and CSC sources.

**Figure 12-1  
Composition of Staff as of  
September 1980**

	<b>TOTAL</b>
Professional:	
Evaluators*	3,185
Management auditors/analysts	163
Accountants and auditors	150
Program analysts	15
Attorneys	165
Actuaries and other mathematical scientists	64
Engineers	11
Computer and information specialists	60
Economists and other social scientists	78
Personnel management specialists	63
Writer-editors	53
Other	158
	—
Total professional staff	4,165
	—
Other:	
Administrative and clerical	976
Wage Board	52
Total other staff	1,028
	—
<b>TOTAL</b>	<b>5,193</b>

\* "Evaluator" is a new classification series unique to GAO. It more accurately describes the work performed by many of GAO staff. For the most part, GAO evaluators were formerly classified as management auditors/analysts, accountants, auditors, and program analysts.

#### **EXPERTS AND CONSULTANTS**

GAO supplemented the growing diversity of its staff by using more consultants who could provide valuable advice and guidance on particularly complex assignments. These consultants offered a second, often new, point of view, which aided staff in designing and conducting studies and in reaching conclusions and making recommendations. The Comptroller General believed the use of consultants not only increased the credibility of GAO reports but also added to GAO's body of knowledge.

Staats encountered difficulty in convincing some managers to use consultants. Often he personally identified particularly good candidates and encouraged a division to recruit them. In addition, many prospective consultants initially needed convincing that they could contribute to the work of the Office. Gradually, however, the divisions recognized the value of consultants, and many divisions developed rosters of consultants to be tapped as the need arose.

In April 1980 the Comptroller General directed the newly designated Assistant Comptroller General for Program Evaluation to main-

\*As an interim measure, GAO classified most new professional positions in the Management Analysis series beginning in 1977

tain an inventory of consultants, including experts in analytical techniques and program or management fields.

### **GENERALISTS VERSUS SPECIALISTS**

Diversification of the professional audit staff led to a controversy among GAO managers and staff over the use of academic knowledge and skills and the classification of staff members with specialized knowledge and skills. Perhaps brought out more by the qualifications required in the competitive selection process implemented in 1976, the generalist-specialist controversy had been brewing for many years.

In the 1950's and 1960's, GAO's staff development program and the organizational culture led everyone—graduates of accounting, business administration, mathematics, econom-

ics, statistics—to believe that they were generalists who could handle any audit. In reality, most of these auditors were doing rather specialized work—management auditing—but doing it across the spectrum of Federal programs. Hence, they became known as “generalists.” GAO auditors had to broaden their skills when the growth, sophistication, and complexity of Federal programs occurring in the 1960's and 1970's made it evident that GAO needed at least a core of staff members familiar with each of these programs and the techniques for reviewing them. Subject matter experts, usually the longer term residents of division audit sites, became more commonplace. Some were cultivated in the regional offices as well. These “experts,” however, were usually subject to rotation or reassignment to meet the current needs of the division. But over

### **GAO Specialists: A Sometimes Underused Resource**

As described in the text, specialists have encountered certain difficulty in becoming an accepted component of GAO's resources. When the first ones arrived in 1967, they were neither fully used nor were their roles well understood. It took many years to find their niche in the Office. Here is a perspective on one group's experience.

In the summer of 1971, the Procurement and Systems Acquisition Division (PSAD) hired Dr. John Barmby, whose background included extensive experience in both the public and the private sectors, to apply the concepts of operations research and systems analysts to procurement audits. To do this Barmby established a small nucleus of highly trained specialists within the Office of the Director. They included operations research analysts, mathematicians, statisticians, and engineers. These analysts identify problems, place them in their proper context, suggest evaluation measures, indicate critical factors, and show the impact of variations in the critical factors on the end result. PSAD needed this type of expertise to aid the auditors in reviewing the complex and technical military systems common to its work.

The PSAD systems analysis staff's reputation evolved slowly following its formation. However, it has overcome the basic objections to its presence and has contributed to PSAD's work. The first contribution relates to identifying potential issue areas and audit strategies for long-term planning. Second, the staff's comments at the outset of any job help to define more clearly the purpose and scope of the proposed review. Usually the staff tends to expand the areas of interest within the review to provide a better overall perspective in the final reports. A third contribution is assisting the division's audit operations by conducting cost-benefit, quantitative, economic, and engineering analyses; reviewing draft reports; and participating at congressional hearings. They try to concentrate their limited resources where the greatest potential return is possible.

An early and crucial test of the systems analysis staff involved the controversy surrounding the Army's proposed purchase of the new Belgian machine gun. The systems analysis staff provided numerical data to demonstrate the Army's proposal was more cost-effective than purchase from a domestic manufacturer. They were successful in convincing a somewhat skeptical audit staff and then an even more suspicious congressional delegation.

During the mid-1970's, one of the systems analysts, using work done in support of an ongoing audit, received an award for the best paper presented at a semiannual Military Operations Research Society meeting. The sophisticated computer analysis examined the merits of fighters and surface-to-air missiles under varying assumptions during a hypothetical European conflict involving NATO and the Warsaw Pact. This recognition contributed to the staff's acceptance by the professional and scientific communities and confirmed their ability to do such analyses.

Analysts anticipate that the 1980's will see a trend toward modernizing and modifying current military systems rather than acquisition of many new ones. If this is true, new and more challenging opportunities for both the systems analysis staff and the traditional audit teams may arise.

the years the Comptroller General in particular stressed the need to build subject matter expertise.

The rise of another class of staff, the "specialist," occurred in the 1970's. The specialist was typified by the automated data processing (ADP) expert, but many divisions had other types of specialists, such as PAD with its economists and FGMSD with its actuarial scientists. Specialists possess distinctive academic skills, knowledge, and abilities which they generally use in a supportive or an advisory role to the generalist staff. They are assigned to audits because of their expertise and often they assist generalists on the more traditional audits, segments of which require technical expertise. They also perform specialized GAO work whether it be auditing an agency's acquisition and use of computers or analyzing the economic outlook of New York City.

But herein lies the problem. Specialists, while performing valuable services for GAO, have often been considered out of its mainstream and less prepared to advance to the mid- and upper-level management positions. Generalists, familiar with many more aspects of GAO and the Federal programs it audits, were considered more qualified for these positions, as evidenced by results of the competitive selection process. As a result, many specialists joined the ranks of the generalists to become more competitive and advance to higher grades. Unfortunately, GAO also lost some highly competent staff to other agencies or private industry, where they could use their skills uninhibited by limited advancement avenues. Those who stayed but became generalists usually had less opportunity to use the technical expertise they had originally brought with them.

GAO has devoted much thought to the classification and use of specialists. A task force studied the issue and recommended separate career ladders for the true specialists. Personnel issued a GAO order recognizing the diversity and complexity of GAO work and the need for a variety of skills to perform it. The order assured attractive career opportunities for all staff members, regardless of discipline, but it did not say how this would be accomplished.

In the mid-1970's, GAO began work that eventually led to establishing the GS-347 Evaluator series to describe the work of the majority of GAO staff members, that is, the GS-510 accountants and the GS-343 management auditors. The Office renewed its interest in the single series as the results of the CSC audit became clear (see p.185), and converted to the new series in September 1980. Personnel estimated that about 80 percent of the audit staff had been reclassified as GAO evaluators. Only staff who regularly apply their technical skills and who are not involved in general evaluation activities retained their specialty classification.

## **COMPTROLLER GENERAL'S LIMITED INVOLVEMENT IN PERSONNEL MANAGEMENT**

The Comptroller General did not directly involve himself in most personnel matters. In fact, one of the first changes he made was to delegate responsibility for approving promotions of lower level staff members. (Comptroller General Campbell had personally signed *all* promotion papers.) However, Staats encouraged the recruiting and development of an interdisciplinary staff and maintaining a highly professional audit organization.

The Comptroller General encouraged staff members to join and participate in professional associations, such as the American Institute of Certified Public Accountants, the Association of Government Accountants, the American Society for Public Administration, and the Federal Bar Association. Not only would such membership foster cooperation with Federal agencies and establish links with other Government audit organizations, but it would also enhance the competence of GAO staff and increase their recognition in the professional communities. In addition, Staats supported the introduction of several career development programs new to GAO.

In 1968 the Office introduced a short-lived career counseling program aimed at emphasizing to staff the need for both formal training and professional activities as a means of career development. The headquarters divisions implemented the program in different ways with differing results, but it was the first time that GAO tried to provide counseling on an Office-wide basis. In 1971 the first elements of an organizational development program appeared as top management discussed means of improving management practices. (See ch. 7.) Also in 1971, the Comptroller General established a study group on professional and staff development as part of a more general management improvement program. The majority of the study group's recommendations concerning recruitment, training, rotation, and promotion saw no definitive action, but it became the first of more than 35 studies conducted between 1971 and 1975 aimed at defining GAO's career management policies and practices.

## **Personnel And Staff Development Functions Reconsidered**

GAO's primary goal was to make the audit staff more professional. The organizational structure established to do this from the 1950's to 1969 divided the elements of personnel administration into two separate offices. The Office of Staff Development was responsible for recruiting, training, and rotating professional auditors, and the Office of Personnel was responsible for

the day-to-day procedural requirements of personnel, such as personnel policy, research, and evaluation, and the paperwork involved in recruiting, hiring, firing, promoting, and position classification. Initially Leo Herbert was responsible only for staff development, and all his efforts, and those of the Office of Personnel so far as he could influence them, were directed to the primary interest of GAO's top management, professionalizing the audit staff. Civil service requirements and personnel practices were defined and applied to this end. In 1969 Herbert became director of GAO's Office of Personnel Management, acquiring responsibility for the activities of both offices. The emphasis on training and staff development continued, and the procedural requirements remained secondary.

As did OPM, the divisions and regional offices put most of their energies into staff recruiting, training, and development, subordinating the documentation of personnel decisions, position classification, and position management. These professionalization efforts contributed to the achievement of GAO goals and the improvement of GAO products.

At the same time, however, the divisions and offices, generally within the bounds of civil service regulations, applied personnel policies differently and primarily to achieve their own ends. Many of the differences can be attributed to the diverse experiences and management styles of the directors. But eventually they led to ill feelings among some of the staff. Competition for good staff among and within divisions drove many decisions at the expense of sound Office-wide personnel policy. The 1972 reorganization compounded the problems by soaking up the available management talent and creating greater demand for competent staff among the larger numbers of divisions. For many years, no one insisted on the implementation of a unified personnel system, with standard policies, procedures, and practices, which would ensure that staff were properly managed.

The year 1975, however, marked the beginning of an extended process of reorganizing GAO's personnel functions that continued for about 3 years. GAO's management had recognized that its personnel system needed improvement. After 6 years of combined operation, the staff development and personnel regulation functions were split and put under separate organizations. Organizational, staffing, and management changes in these units continued through the early months of 1978. During these 3 years the changes made were generally stopgap measures only; few, if any, permanent "fixes" were implemented. Then the appointment of a professional personnel director presaged basic change in GAO's approach to human resources management.

## CAREER MANAGEMENT COMMITTEE

In 1975, GAO established the Career Management Committee (CMC). By doing so, the Office elevated the efforts of an informal working group which had been assembled earlier to determine appropriate criteria for evaluating candidates for GS-15 positions. Concurrent with this project, the Office of Staff Development was trying to devise GS-9 to GS-13 performance appraisal criteria and to redefine the career ladder—the range of grades through which an employee may be promoted noncompetitively. In January 1976, the Comptroller General directed CMC to integrate these ongoing projects into a career management system for the professional audit staff. He appointed nine senior executives to an enlarged CMC and named Hyman L. Krieger and Fred D. Layton as cochairmen. The Comptroller General gave them overall responsibility, authority, and accountability for the career management system and its outcome and asked them to provide policy guidance and direction to a working task force composed of staff from several offices.

The purpose of the to-be-created career management system, as defined by the Comptroller General, was to equitably insure the maximum development and utilization of GAO's most important resource, its staff, by:

- matching the capabilities of employees with the needs of the Office;
- providing procedures which clarify developmental needs and advancement requirements;
- counseling for superior performance;
- providing for selection of the most highly qualified candidates for supervisory/managerial positions; and,
- rewarding staff who perform with excellence.<sup>3</sup>

In a working paper, CMC put it a little differently:

*The overall objective of this project is to integrate the currently illdefined or separate elements of GAO's career management process into a whole system that will attract, develop, and retain personnel required to meet GAO's present and future staffing needs.*

Both the Comptroller General and CMC recognized that despite numerous studies of GAO's personnel system over the previous 20 years, problems still existed. They sought to establish an integrated career management system that would satisfy both GAO's mission to serve the Congress in its oversight of the executive branch and employee needs in terms of career development and job satisfaction.

## **COMPETITIVE SELECTION PROCESS**

CMC identified the many elements needed for an effective career management system, from recruiting and hiring to development, placement, counseling, and promotion. After several months of discussion, CMC directed its initial efforts to refining the advancement requirements and developmental needs of the professional audit staff. One of CMC's first recommendations was to lower the top grade of the career ladder from GS-14 to GS-12. CMC believed that GAO could not meet the advancement expectations of all audit staff to GS-14 given the growth in total staff which had occurred during the early 1970's. Also, although a career ladder formally existed, informal competition was already taking place above the GS-12 level.

They also were concerned about the lack of interdivisional promotions and cross-fertilization. Each division was developing and promoting its own cadre of people. In addition, CSC regulations required that supervisory positions (starting in GAO at GS-13 and GS-14) be given separate treatment in merit promotion plans, that is, handled competitively. CMC's first recommendation—filling positions above GS-12 by competitive selection—as approved by the Comptroller General did not sit well with the staff and came to dominate CMC's deliberations through 1977 and into 1978.

CMC provided not only policy and guidance to what became GAO's competitive selection process, but also decided the specific steps involved in implementing it. The process, implemented in October 1976, underwent numerous changes in efforts to fine-tune it. As the CMC Task Force, established to provide operational support for CMC, monitored implementation and results, it developed application forms and then revised them or discarded them altogether. The task force defined and redefined appraisal criteria in attempts to secure consistent application among divisions. It set and reset application timeframes and deadlines and altered rating factors and quality ranking factors, such as performance or training and development, and their assigned weights. The monitoring efforts also involved verification of candidate-provided data, the interview process, selection of candidates from outside the advertising office, and screening panel composition and performance.

Despite continuous monitoring, adjusting, and revising, the competitive selection process has never been fully accepted by the staff, including many executives making the selections. However, few people questioned that highly qualified candidates were not the ones chosen for promotion. Following some modification, the process also resulted in some promotions and reassessments across division lines, a goal sought by the Comptroller General. However, even discounting the disappointment and dissatisfaction of those employees applying but not being se-

lected (naturally, they outnumbered by a large margin those more satisfied individuals who have been selected), the process was seen as doing little more than formalizing the perceived "sponsorship" system used before October 1976.

Equal employment opportunity considerations and goals that selections within an office or a division include a certain percentage of women and minorities simply compounded the problems in the process. GAO management is now studying the process, and further revisions are anticipated. Its future is in doubt not only because of its unpopularity with the staff and implementation problems, but also because GAO's new personnel system could require further major changes.

## **NEED FOR AN INTEGRATED HUMAN RESOURCES SYSTEM**

After the competitive selection process had been in operation for several months, during the monitoring period, CMC again inventoried ongoing personnel activities. This review revealed that only a small portion of GAO's total human resources system was being addressed.

During the spring of 1977, the CMC Task Force developed a model which linked all the elements of GAO's personnel system. (See chart below.) The theory behind the model required that GAO, to develop an effective personnel system, first define its mission and how it is carried out and then determine its staffing needs to accomplish the mission. The model showed the logical flow among the various elements of the total system. GAO's goals and objectives, as embodied in legislation, were the basic starting point. The goals and objectives determined the kind of products and services (e.g., reports, testimony, comments on proposed legislation, Comptroller General decisions, etc.) which GAO must provide. The product/service mix, in turn, determined the kinds of tasks which must be performed to provide them.

These tasks were organized into positions encompassing specific duties. Examination of the duties revealed the kinds of knowledges, skills, and abilities required (job specifications) and the performance standards incumbents must meet. These three pieces of information (duties, job specifications, and job standards) then formed the basis for useful and accurate position descriptions. The theory held that position descriptions derived in this manner acted as the "master link" between the demand side and the supply side. Therefore, GAO had to clearly understand what the job entailed before it could recruit potential employees; select from among the most qualified auditors; assign personnel to positions matching their abilities; appraise their effectiveness; and provide them counseling, training, and rewards.

During 1977 and 1978, GAO devoted extensive resources to both the demand side and the

supply side. As the Task Force on GAO Effectiveness examined the Office's goals and product mix and recommended that GAO adopt a dedicated project team approach for performing jobs (see ch. 11), CMC devoted efforts to the supply side. As a result of its discussions, GAO established a career counseling program, implemented a performance appraisal system revolving around BARS—Behaviorally Anchored Rating Scales—renewed its executive development program, and identified means to identify and reward contributions of staff.

#### **OFFICE-WIDE CAREER COUNSELING**

GAO's counseling program originated from one of CMC's tasks to develop procedures for career planning, performance review, and career counseling. Sporadic and inconsistent counseling programs had been implemented for many years, but most had centered on job performance. The absence of an effective performance appraisal system had inhibited even these efforts. Most staff members relied on the guidance and advice of "mentors" to improve performance and develop career goals.

Perhaps the most visible outcome of CMC work on the GAO counseling program was the Skills for Performance and Career Development (SPCD) Course. In 1977 a CMC subcommittee worked on the development of training manuals for the counseling program. Initially, a course was designed to teach staff four types of counseling—performance coaching, problem identi-

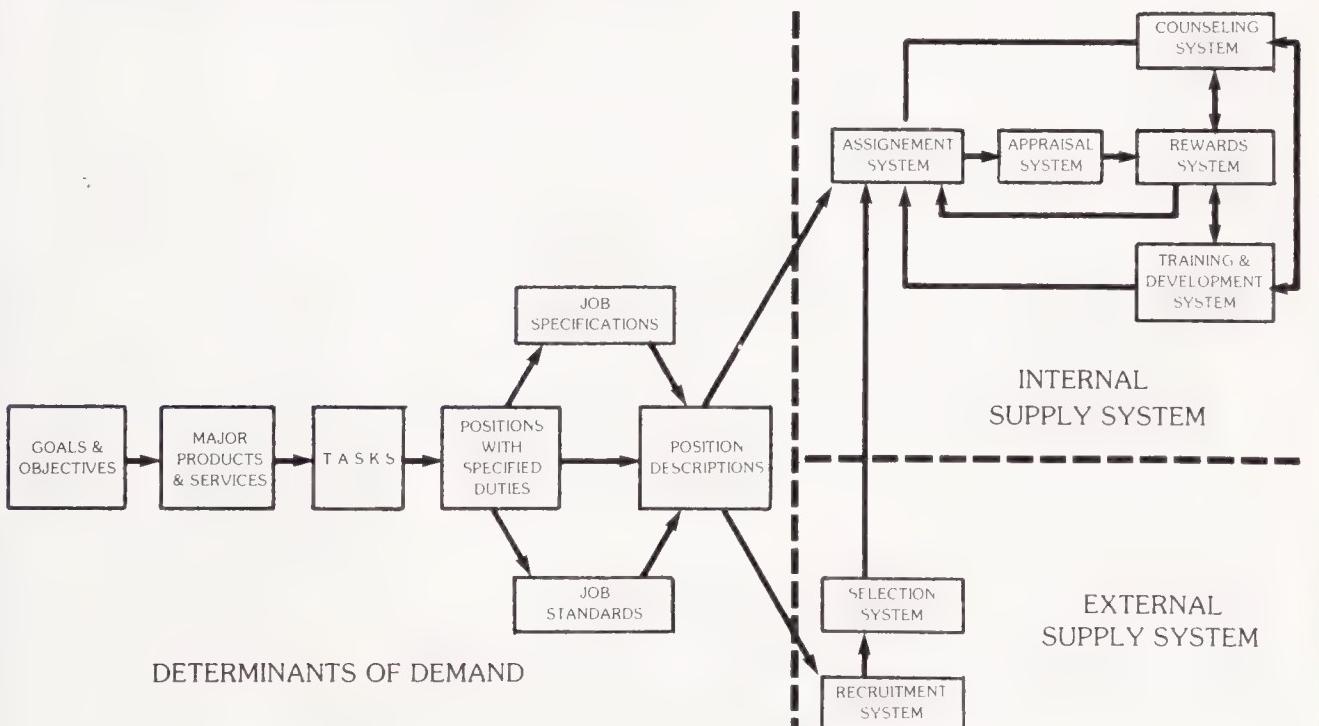
fication, career counseling, and performance appraisal. Gradually, the subcommittee and its task force realized there was a greater need for teaching communication skills. Thus, the course objective became the linkage of interpersonal communication skills with the four counseling modes. Following a trial run, SPCD became available for all GAO staff members in 1979.

Also in 1979 GAO established a Counseling and Career Development Center to provide direct career or personal counseling services when needed and to give staff skills needed to identify and handle disruptive or counterproductive behavior patterns. The Office had recognized that many performance problems, whether caused by the work environment or by at-home situations, reduced productivity and accomplishment of GAO's goals. The center offers short-term guidance and advice on resolving these problems. Additionally, it increases awareness that supervisors are responsible for assisting staff in getting needed help. Too often in the past, supervisors ignored problems or retaliated against staff causing them.

#### **EXECUTIVE DEVELOPMENT PROGRAM**

In 1975, the Comptroller General remarked that "the selection and promotion of our top personnel is one of the hottest issues we need to continue studying." CMC took their cue and started plans to design an executive development program and implement it by October 1976. In a staff paper, the CMC Task Force

**Figure 12-2**  
**Human Resources Management System**



identified the overall purpose of an executive development program as assuring the organization of a competent executive pool in the face of uncertain requirements. It recommended design of a two-part program: providing developmental opportunities to all staff members and improving the skills of current executives. Unfortunately, the competitive selection process claimed the attention of CMC to the exclusion of all else and little effort was expended on executive development until 1977. In March of that year, a CMC subcommittee took a first step by soliciting comments on a list of knowledge and ability requirements for senior executives, but development of GAO senior executives continued as in the past. Individuals were selected by various means to attend courses at the war colleges or development programs offered by such organizations as the Federal Executive Institute, Pennsylvania State University, or Dartmouth Institute. One observer lamented that GAO made "no real attempt to identify the needs of GAO executives and then select the executive training program best suited to meet those needs."

The establishment of GAO's Senior Executive Service (SES) in October 1980 brought executive development to the forefront once again. SES required implementation of an Executive Improvement Program and an Executive Candidate Program. The first is to make available to all SES members, consistent with Office resources and staffing requirements, the educational opportunities and assignments needed for strengthening their executive skills and achieving

their career goals. The second is to set in motion the mechanism for selecting, preparing, and certifying highly qualified GS-15 candidates for SES vacancies. In addition, GAO recognized the need for a long-term development program for prospective SES members and is establishing a management development program for GS-13's, 14's, and 15's. GAO is designing an overall executive development program based on a study of GAO's executive positions and needs. When finalized, its curriculum will consist of seminars on GAO operations, formal in-house and external executive development courses, and temporary assignments with various GAO staff and regional offices and divisions. The future looks brighter, but effective implementation—lacking in the past—is still the key.

#### **GAO AWARDS AND REWARDS**

In 1966, there was no organized Office-wide awards program. For most GAO staff, getting out reports and receiving promotions in due course was all the reward they got. The late 1960's saw the inauguration of annual awards ceremonies with the Comptroller General attending and prominent guest speakers making presentations. Satisfying as these occasions were to the award recipients, the program was not without its problems.

During the 1970's, two task forces studied GAO's awards programs and made changes in awards policy and presentations. The program now operates on a two-tier approach—division or office and GAO-wide awards. The Comp-



**GAO AUDIT STAFF** attend the Skills for Performance and Career Development (SPCD) Course

troller General delegated authority to heads of divisions and offices to recognize superior performance with directors' awards and certificates of merit or appreciation, with or without cash or gifts. Consequently, the divisions and offices have established their own awards programs and hold award ceremonies throughout the year. The GAO-wide awards program is held once a year to recognize unusually superior and outstanding achievement.

Despite the studies of GAO's awards program and actions taken, some staff will continue to be concerned about its fairness. Allegations of favoritism and distortion of the goals of any awards program are made periodically, and GAO is no exception. Awards take on added significance because they are recognized in the competitive selection process. The points given to applicants on the basis of awards can sometimes make the difference in making or not making the certificate of best qualified applicants.

#### PERFORMANCE APPRAISAL

Designing an effective performance appraisal system and implementing it fairly and consistently has always been as much a challenge for GAO as for other Federal agencies and private industry. The agency has never found a fully

satisfactory system for measuring the results of its work and, therefore, the performance of its employees. With reports containing findings and recommendations as its primary product and no means to take direct action to affect program outcomes, GAO supervisors have had to rely on indirect measures of staff performance and largely subjective criteria to prepare performance ratings. Neither staff nor supervisors have been fully satisfied with the systems designed by various committees and task forces over the years. Complaints have centered on the subjectivity of performance ratings, poorly defined or no criteria, and inconsistent application of them, and emphasis on personality traits rather than performance of tasks and fulfillment of responsibilities. Appraisals prepared by "remote supervisors" under the team approach only complicated the problem in recent years.

In addition, there has generally been an upward bias among supervisors in rating their staff. Inflated ratings help supervisors avoid confrontations with poorly performing employees and aid favored staff in obtaining promotions.

Performance appraisals are integral to any effective personnel management system. They form the basis for many personnel actions, including performance and career counseling, pay



**GAO 50th ANNIVERSARY AWARDS CEREMONY**, June 11, 1971. Attendees included Dr. Leo Herbert, Director, GAO Office of Personnel Management; Robert F. Keller, Deputy Comptroller General; George P. Schultz, Director, Office of Management and Budget; Representative Chet Holifield; Elmer B. Staats, Comptroller General; and Robert C. Weaver, Professor of Economics, City University of New York

increases, promotions, awards, training and development, assignments, and adverse actions. Without an effective performance appraisal system, any organization, including GAO, encourages complaints, employee appeals, and poor staff morale. Although several appraisal systems were tried, none was completely successful.

Following the implementation of competitive selection, CMC took a look at performance appraisals. Starting with some earlier exploratory research of two contractors examining the tasks performed by auditors and their frequency, the CMC Task Force developed the BARS—Behaviorally Anchored Rating Scales—performance appraisal system. The BARS system emphasizes that appraisals require knowledge of what duties are performed, what levels of performance are expected, and what aspects of performance are important. Appraisals are to be based on observed performance compared with prescribed standards. These standards are oriented toward describing behavior as opposed to traits, the emphasis of prior appraisal systems.

Each prescribed performance level is "anchored" by several BARS statements defining the various levels of performance. Raters are to examine each performance level for each duty assigned and then rate staff members accordingly.

BARS is not simple. Raters have to deal with the tasks and performance standards for all job elements (e.g., job planning, data analysis, written communication) for all grade levels on their staffs. Appraisals must be supported by examples of behavior, requiring raters to document each staff member's performance regularly. The developers of BARS are relying on Office-wide orientation on the development, intent, and application of BARS to ensure rapid implementation and foster staff understanding and acceptance of the system.

While BARS tries to reduce the subjectivity of ratings by concentrating on observable performance, it does not fully address achievement of goals or results. Therefore, the GAO Personnel System Project is developing an overall performance evaluation system which will appraise both process and results. This system will use BARS for appraising processes (or manner of performance) and a results-oriented appraisal being developed using the experience gained from the San Francisco regional office results-oriented appraisal system, the SES appraisal system, and results-oriented appraisal systems from other agencies.

Key features of the planned system include:

- Continued communication between manager/supervisor and employees.
- Explicit, documented expectations at the beginning of assignments, including relative priorities and observable performance standards for both results and manner.
- Monitoring and accumulating information, observations, and data on performance.

- Reviewing employee progress and modifying expectations and/or performance when warranted.
- More objective comparisons of performance against standards.
- Flexibility to manage and tailor the system to the specific job.
- Sufficient structure to provide for consistency and equity among jobs.

A workable system is necessary now but will soon be even more essential, because it will have to support not only continued employment and promotions but merit pay as well.

\* \* \* \* \*

CMC, although never officially disbanded, ceased operations in early 1978 with the arrival of a new Director of Personnel. (See p.185) CMC and its task force proposed several changes to GAO's personnel management system; some have already been implemented and some are still under development. Its final success is yet to be judged. That success may have been impaired, or at least delayed, by first tackling competitive selection while leaving until later an essential improvement: performance appraisals. It was strictly a judgment call: the Comptroller General said that the competitive selection process had been designed first because he had seen a need to improve mobility and retain competence among mid-level employees. Competitive selection, however, (and most personnel actions) is only as effective as the performance appraisal system that supports it. Only when a complete performance appraisal system has been implemented can the success of the GAO career management system be assessed.

#### CSC AUDIT

Although the Career Management Committee identified and initiated resolution of many problems in GAO personnel management, a separate event accelerated these long-needed improvements. In September 1976, GAO received notice from the Civil Service Commission that the GAO personnel system was to be audited.<sup>4</sup> CSC scheduled four personnel practices for examination—classification and position management, merit promotion systems, equal employment opportunity (EEO), and GAO's internal process for personnel management evaluation. The Comptroller General asked CSC to wait—the Career Management Committee had just recommended development of several new personnel practices, including merit promotions and lowering the career ladder to GS-12. He believed CSC would get a more accurate picture of GAO's personnel practices after these new systems had been implemented and fine-tuned. CSC denied the request and conducted its audit as scheduled.

The CSC examiners spent 2 weeks at GAO. They concentrated on GAO's classification and position management practices of auditor and clerical positions alike and essentially ignored the remaining three areas scheduled for review. (However, they did comment favorably on GAO's new merit promotion program, which was just then being implemented.) In evaluating classification and position management, the examiners followed a common practice of analyzing a random sample of positions and then selecting a problem-oriented sample of additional positions. They also requested additional information and documentation.

Twenty-two months elapsed before CSC issued its final report. Correspondence between the two agencies during this period highlighted the basic points of disagreement. GAO believed that CSC was applying position classification standards that were inappropriate for GAO audit positions—a fact acknowledged by CSC examiners during the review and in their correspondence. Despite this, CSC stated in its October 1978 final report that its findings on position classification "highlighted problems not only with the classification practices existing in the agency, but also with the administration of the classification program itself." CSC stated that the evolutionary nature of the function of the GAO auditor over the previous 5 to 7 years had not been reflected by GAO in classifying auditor positions and, consequently, affected the grading, titling, and series allocations for these positions.

In CSC's opinion, GAO had promoted staff to GS-15 and GS-14 positions with no assurance that those promoted would actually perform duties incumbent on these grade levels. CSC found what it considered widespread overclassification, that is, overgrading; it believed GAO had not appropriately analyzed duties actually being performed. CSC went on to state: "Part of the reason for the problem areas in classification \* \* \* reflected basic deficiencies in the support for and administration of the classification program in the agency." GAO had assigned too many non-classification-related duties to the classification unit which, in CSC's view, precluded time and attention being available for its proper responsibilities.<sup>5</sup>

GAO strongly objected to the CSC conclusions, stating they were based on standards which GAO had long considered obsolete. The standards failed to fully recognize the responsibilities of GAO's professional audit staff. Subsequently, GAO renewed efforts—begun several years previously—to establish a single agency standard for GAO audit positions recognizing the nature of GAO work and the agency's mission to serve the Congress. By May 1979, CSC (by then the Office of Personnel Management (OPM)) had approved trial application of contractor-developed draft classification and qualification standards for the GAO Evaluator series. OPM

approval of the draft evaluator standards marked the end of a struggle GAO had been waging since the early 1970's, and this classification series is now in effect for all but specialized positions.

Perhaps the most significant outcome of the CSC audit, however, was that it strengthened GAO's determination to convince the Congress to legislate an independent personnel system for GAO. Although never officially voiced before the audit, the potential conflict of interest between OPM as overseer of Federal personnel practices and GAO as watchdog over Federal agencies, including CSC, was too close for comfort.

## **Creating A Personnel System For GAO**

The Career Management Committee and the CSC audit made it clear to GAO management that improvements in the personnel system were warranted. For most of the 1966 to 1981 time-frame, the mechanics of personnel administration were subordinated to staff development goals. GAO now recognized that a better balance had to be struck between personnel administration and staff development; personnel management required both to support and complement each other. GAO's first step was to hire a professional personnel specialist, a person educated and experienced in establishing and directing effective personnel programs. Following a thorough study to define the qualifications needed for a new Director of Personnel and an exhaustive search for qualified candidates, the Comptroller General selected Felix R. Brandon, II, then Director of Personnel at the National Labor Relations Board. Brandon had served his entire career in the personnel management field and came to GAO highly qualified to take on the challenge confronting him.

### **REORGANIZING GAO'S PERSONNEL SYSTEM**

Brandon recalls that the Comptroller General defined his task as follows: "GAO's personnel system is in trouble and we are not sure what is wrong with it. Fix it!" Brandon studied GAO's personnel system and found that it had been directed for too long by too many nonprofessionals. His solution centered on his idea of what a personnel office should do—provide services. This orientation toward service was important. Many personnel offices became enmeshed in personnel regulations often to the detriment of managers who need capable people to get their jobs done.

In January 1978, before Brandon's arrival, GAO had reunited elements of the personnel administration and staff development responsibilities that had been split in 1974. Brandon established a Policy and Programs Group (see organization chart below) to research and analyze personnel policies and programs, develop and

evaluate personnel policies and procedures, and establish labor-management and employee relations programs. Among its many duties, this group provides assistance on position management and classification (the target of CSC's examination in 1976), allocates mid-level management positions and secretarial positions above GS-6, justifies supergrade positions, advises management on planning for and use of staff, and surveys GAO's personnel management evaluation system. It also provides advice and assistance on GAO's labor management and employee relations programs and on employee grievances and disciplinary actions. It administers the awards program and various other employee activities. It designed GAO's maxiflex program, developed the GAO Evaluator series, and issued the "GAO Personnel Sourcebook." The group also maintains GAO's Automated Personnel Accounting System. GAO's fledgling human resources management information system.

Brandon also established personnel service teams in the Operations Group, each to provide operational support, advice, and guidance in all personnel management services to a different mix of GAO components. His goal was to establish a "one-stop shopping system" so that a division or an office could receive coordinated services encompassing all personnel operations—recruiting, position classification, upward mobility, and so forth. In the past, a different unit had handled each operation, often resulting in the user receiving conflicting advice and complicating any given personnel action. By creating the teams, Brandon hoped to encourage and facilitate the divisions' and offices' use of Personnel.

Each team member had to become expert in one or two personnel activities and knowledgeable of many. Initially, each team had responsibility for basic personnel operations—position classification, staffing, upward mobility, and employee relations. As the teams gained experience and competence, more responsibilities were added, like recruiting and examining and promotions through the career ladder. Eventually, each team was staffed to handle most personnel functions.

Many divisions and most regional offices did their own recruiting of new staff, both college graduates and upper-level hires. These organizations knew their particular staffing needs and either accompanied Personnel's recruiters to college campuses or went on their own. They also performed important management functions, like job assignment, employee counseling, performance appraisal, and selection of employees for promotion. Personnel's service teams provided the necessary administrative support.

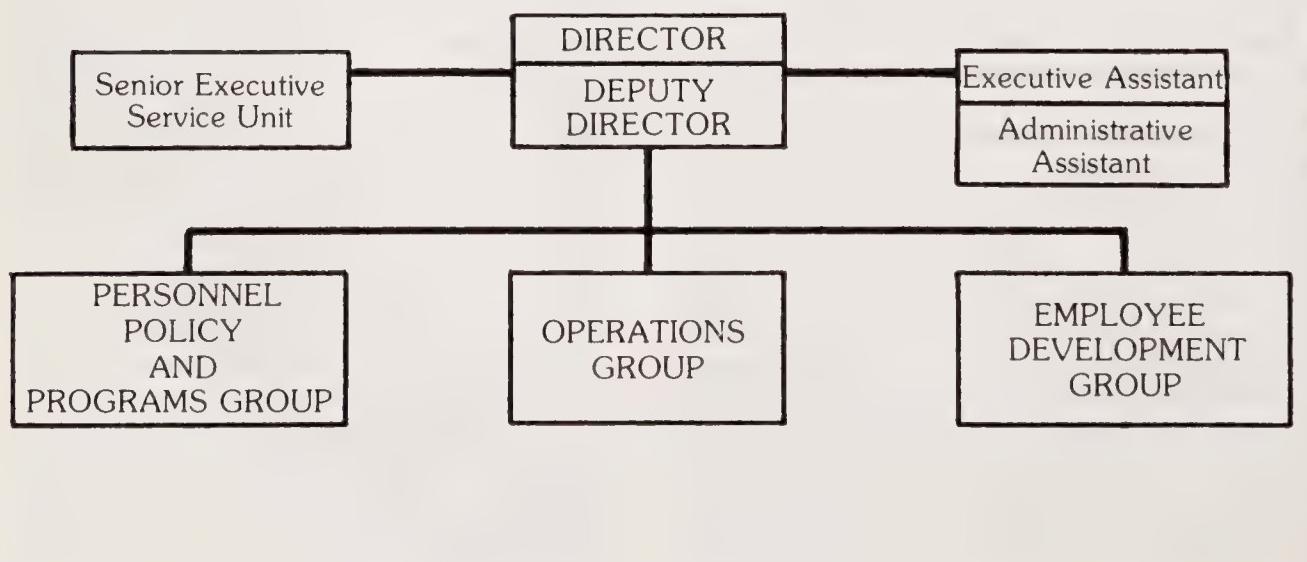
#### **STAFF DEVELOPMENT PROGRAM**

Brandon assigned the Employee Development Group responsibility for training and career development and counseling.\* The numerous changes in personnel organization and management had taken their toll, and by 1978 GAO internal training was in a largely confused state. As noted earlier in this chapter, for 20 years, GAO's internal training program concentrated on audit theory and practice. "Criteria, cause, and effect" was its hallmark. Although training courses had been revised and new ones added

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\*See pages 183 and 184 for discussion of career development and counseling.

**Figure 12-3**  
**Personnel**



as staff responsibilities changed, GAO had not committed the resources needed for a thorough, effective, and up-to-date training program.<sup>\*\*</sup> It became recognized that neither the consultants who designed training courses nor the auditors who taught them possessed the total range of skills, knowledge, and expertise needed to develop and present a comprehensive training program for all GAO staff. Furthermore, GAO had no means of determining how the skills learned were being applied at the audit site.

In 1979 Personnel hired several training and staff development specialists to devise a new training program for auditors and nonauditors alike. By this time, Clerio Pin, then Assistant to the Comptroller General for Administration, had decided that GAO must make the necessary commitment to the training and development needs of the staff. Not only is training of new

<sup>\*\*</sup>(The Supervision I course was revised and renamed Productive Organizational Communication when the typical GS-11 attendee was no longer expected to supervise but to communicate facts and findings both in written products and orally.)

staff important, so is the retraining of existing staff as new techniques are developed and GAO takes on new assignments.

The first step was to develop a training model or framework for all GAO staff: auditors, non-auditors (editors, attorneys, librarians, personnelists, etc.), secretarial and clerical workers, and data processing experts. The specialists in the training branch started with the audit staff, using the results of a training needs assessment conducted by a subgroup of the Career Management Committee Task Force. This assessment determined the knowledge, skills, and abilities required of each grade level, GS-7 to GS-14, and how well and how often they were applied. The training specialists then developed a training model for each grade level. The model formed the basis for designing individual courses corresponding to technical audit skills required of each grade level as well as nontechnical skills, such as interpersonal communications and supervision. Simultaneously, a second group of specialists assessed secretarial and clerical staff and

## GAO Becomes Campus For Five Doctoral Students

A unique educational experiment got underway in October 1980 as the first participants in the GAO Doctoral Research Program reported to work. The intent of the program is to provide an exchange of information between GAO and the academic community. The five students selected for the program will be involved in projects related to their academic fields pertaining to GAO issue areas, public policy, or GAO management issues.

A member of GAO's Educator Consultant Panel—Morris W. H. Collins, Jr., of the Stennis Institute of Government, Mississippi State University—took the lead in developing the program. "Academic programs in other Federal agencies offer fellowships for independent research in topics chosen by the agency, or are aimed at the future employment of the researcher with the Government," Collins explained in a recent interview. "This program is designed to fill a gap by allowing the student to be involved with an ongoing work project and the staff of the agency."

"Furthermore, the program will encourage in-depth analyses of topics relevant to GAO and provide a vehicle for exchange of knowledge between the academic community and GAO."

One student, who is working toward a doctorate in agricultural economics at the University of Minnesota, joined the Community and Economic Development Division (CED). He will work with CED's food staff on Soviet grain exports. A second participant, a doctoral student in educational administration at Virginia Polytechnic Institute, reported to the Human Resources Division (HRD). She, in conjunction with HRD's education audit staff, will study the impact of recent social, economic, technological, and legislative changes on student learning levels.

To qualify for the program, students had to have completed all course work leading to a doctorate short of their dissertations and be recommended by one of the members of GAO's Educator Consultant Panel. GAO officials with responsibilities in the students' areas of interest selected those individuals whose research plans fit most closely with GAO's needs.

Students receive temporary 1-year appointments. While at GAO, each student works with a "mentor," who provides guidance on GAO's internal workings, as well as an academic faculty adviser. The mentor, faculty adviser, and student work out a contract detailing the student's and GAO's responsibilities to each other, in areas such as publication rights and access to data after the student has left GAO.

Both GAO and the students hope to gain from the experimental program. GAO provides the students data bases, access to information not otherwise available and financial support. GAO benefits from the output of the research, the interaction of the student and the staff, and the input of the faculty adviser.

designed a training model and appropriate training courses. Nonaudit staff members—librarians, attorneys, and others—do not receive technical training as such but attend communication and supervisory courses. By the end of 1981, the specialists are scheduled to have about 35 training courses available.

Recognizing the benefits to be gained by enhancing training and development opportunities for staff, the Training Branch has underway a training needs assessment for all GS-15's and above. The results will be used not only to design training courses but also to assist GAO's executive development program.

Another innovative feature is the development of an evaluation system for all training courses. The system will measure impact on four levels:

- Immediate class reaction to the course.
- Pre- and postcourse changes in knowledge.
- On-the-job impact measured by interviews, questionnaires, and observation.
- Organizational impact.

Once operational, the system should enable the training and counseling and career development branches to determine if program objectives are being met, examine cost effectiveness, and provide information for future courses and course content. If successful, the Training Branch's efforts should soon end a long drought in in-house training for GAO staff.

#### **SECURING AN INDEPENDENT PERSONNEL SYSTEM**

GAO was not the only agency trying to improve its personnel system. In fact, President Jimmy Carter, in fulfilling a campaign promise, sponsored legislation in 1977 to revise the entire Government's civil service system: "We have lost sight of the original purpose [of the civil service system]—which was to reward merit."<sup>6</sup>

In October 1978 the Congress passed the Civil Service Reform Act (CSRA) and reinforced merit principles as the foundation of Federal employment. The Congress also approved related reorganization plans abolishing the Civil Service Commission and establishing the Office of Personnel Management, the Merit Systems Protection Board (MSPB) and its Special Counsel, and the Federal Labor Relations Authority (FLRA). In doing so, the Congress gave OPM the responsibility for executing, administering, and enforcing the civil service rules and regulations and gave MSPB and FLRA responsibility for investigating allegations of prohibited personnel practices or unfair labor practices. Formerly, most of these sometimes conflicting responsibilities had been vested in CSC.

GAO's first serious efforts to establish its own personnel system began in 1978 when the Office of the General Counsel (OGC) drafted a bill cre-

ating a separate GAO personnel system, which the Comptroller General forwarded to the Congress. However, reform of the entire civil service system held the Congress' attention that year, and Mr. Staats had no choice but to hold off on GAO's legislation until CSRA had been enacted and its impact on GAO assessed. Enactment of this new law further complicated GAO's position. CSRA did not consistently hold GAO responsible for all its provisions. For example, by not excluding GAO, CSRA required the Office to adopt merit system principles and a merit promotion system for supervisors and managers but, by specific reference, CSRA did not require GAO to ban prohibited personnel practices or to implement a senior executive service.

In addition, CSRA increased the possibility of conflicts of interest between GAO and agencies administering the civil service laws by requiring that GAO report annually to the Congress and the President on the activities of OPM and MSPB as well as conduct any audit or review needed to ensure compliance by Federal agencies with the laws, rules, and regulations governing Federal employment. Since 1972 GAO had placed increased emphasis on reviewing Federal personnel management practices. Because the then-existing law made GAO subject to some of the same civil service requirements as executive agencies, the then CSC had authority to require changes in GAO's personnel management practices, including position classifications and management. GAO, while making recommendations for improved personnel management, had no authority to direct or compel CSC to make changes. Critical reports to the Congress, however, do have their impact. Many GAO staff believe it was such reports which led CSC to initiate its review of GAO's position management system and practices in 1976. A cause-and-effect relationship was never proven.

When it became evident that CSRA heightened the potential for conflict of interest, the Comptroller General set up a steering committee, composed of the Directors of Personnel, the Federal Personnel and Compensation Division, the Office of Congressional Relations, the EEO Office, and the General Counsel, to help secure passage of separate personnel legislation for GAO. The committee chairman suggested that GAO recruit a person with a strong background in personnel work to direct the effort laid out by the steering committee. The Comptroller General agreed and the person selected drew upon the work done in the previous year by OGC. Working closely with the staffs of the Senate Committee on Governmental Affairs and the House Committee on Post Office and Civil Service, a bill was developed allowing maximum flexibility for GAO yet retaining for GAO employees the basic protections of the civil service laws. While many members of Congress were sympathetic toward GAO and understood its

need for independence, GAO recognized that skeptics would have to be convinced of the need for a separate personnel system and that GAO was not looking for ways to subvert the civil service system.

GAO developed four major arguments to justify its need for the legislation:

- The conflict of interest potential created especially by CSRA.
- The contradictions evident in CSRA concerning GAO inclusion or exclusion from its many provisions.
- The need for greater flexibility in managing GAO's work force than allowed under the civil service system.
- The need to clarify GAO's responsibility to adhere to section VII of the Civil Rights Act of 1964 prohibiting discrimination in employment.

Success came on February 15, 1980, when the Congress completed action on the GAO Personnel Act of 1980 and the President signed it into law. GAO officials were generally pleased with the law, believing it afforded GAO greater flexibility in managing its work force while retaining the merit system principles of Federal personnel management.

Significant features of the legislation include the GAO Personnel Appeals Board, new em-

ployee pay and compensation options available to the Comptroller General, and the option to establish a merit pay system. The legislation also authorized the establishment of a senior executive service, which GAO implemented in October 1980. It eliminated the major areas of future potential conflicts of interest and presented the Office an opportunity to fashion a personnel system tailored to fulfilling the agency's mission.

### ESTABLISHING GAO'S PERSONNEL SYSTEM

Passage of the GAO Personnel Act set in motion those actions needed to design and implement a personnel system which was to begin operation in October 1980 and be fully implemented by October 1981. The Comptroller General appointed Clifford I. Gould as Special Assistant to the Comptroller General responsible for directing implementation of the act. He also established a steering group, composed of Assistant Comptrollers General Clerio Pin and John Heller, the Director of Personnel, the Director of the EEO Office, and himself, to provide policy guidance.

Gould established a Personnel System Project staff to design and implement the personnel system. The staff's tasks included developing a regulatory framework for the new personnel system, designing recruitment and placement programs for all prospective and current GAO employees, developing GAO's labor-management relations



**GAO OFFICIALS** testifying on the GAO Personnel bill, July 10, 1979

program, providing the basic elements of GAO's overall EEO program, and designing a performance evaluation system to meet the requirements of the Civil Service Reform Act. (See p. 184.)

As required by law, GAO published the regulations establishing the new personnel system in the Federal Register to allow for public comment. Then the project drafted implementing regulations for employee comment and incorporation in the "GAO Operations Manual." Separate orders were prepared for each specific personnel management function, such as recruiting, EEO, and labor-management relations. "How-to" information—operation procedures, handbooks, and guidelines—will be prepared and published by Personnel. Many facets of the new system were put in place by October 1980.

The GAO Appeals Board was established as an independent entity acting in place of OPM, MSPB, FLRA, and the Equal Employment Opportunity Commission. The Board, and its General Counsel, handles appeals on such matters as adverse actions, prohibited personnel practices, union elections, determination of bargaining units, unfair labor practices, and discrimination appeals. It has its own operation procedures

and promulgates regulations governing employee appeals.

The Comptroller General swore in the five members of the Board on October 1, 1980. They were selected from a list of candidates submitted by professional adjudication or arbitration organizations, in consultation with GAO employee organizations and congressional committees with oversight of GAO activities. All five members have a number of years' experience in public or private personnel administration or labor relations.

Pay and compensation options open to the Comptroller General include establishing a rank-in-person system rather than the more common rank-in-job system. A rank-in-person system allows assignment and compensation of persons based on expertise and competence rather than on grade level and time in grade. Experience has shown that it is well suited to a highly mobile service in which jobs have many similar responsibilities regardless of location. Adopting this system influences all other personnel actions from recruitment to retirement.

GAO also plans to establish a pay for performance system recognizing quality performance with pay adjustments. In October 1980, the



**MEMBERS OF THE GAO APPEALS BOARD** sworn in by Comptroller General Staats, October 1, 1980. Members include Ruthie Taylor, Robert T. Levan, Ellen Bussey, William Meagher, and Chairman Edward Gallas

personnel system project staff published a "conceptual model" for an integrated approach to classification, performance appraisal, and pay. Comments received on the model will guide the development of the first design.

Much work remains to be done, but GAO stands a chance of having in effect by fiscal year 1982 a system that will free it from the greatest burdens of the present system—including the rigid and overly detailed competitive selection process—and to recruit and retain highly qualified new staff and to make available new opportunities for its most competent staff to be rewarded for their good work. The changeover will take several years, and at minimum, there are likely to be rough spots along the way.

#### **GAO'S SENIOR EXECUTIVE SERVICE**

GAO's Senior Executive Service (SES) became effective in October 1980. Senior staff members (GS-16 and above) joined SES and became subject to a new set of personnel rules and regulations, performance requirements, and incentives.

In November 1979 the Comptroller General asked James D. Martin, the Director of the Office of Program Planning, to form a committee and design SES. In just 6 months, Martin, other committee members, and their staff completed the research, analysis, and design of SES. Major considerations were pay and compensation, performance appraisals, executive development, and position management. The committee consulted OPM, Federal agencies implementing SES programs, GAO executives, staff, advisory committees, and others for advice and comment.

SES, as developed by the Martin task force and approved by the Comptroller General, is a departure from the previous system, salary and career status depending on the person, not on the job. Compensation, retention, and tenure of individuals in SES depend on "executive success" measured on the basis of individual and organizational performance, including such factors as efficiency, productivity, quality of work or service, timeliness of performance, and success in meeting EEO goals.

The pay of SES members is now more closely related to their performance, as well as their jobs. Subject to the pay ceiling, pay can be increased periodically to reward good performance, and individuals can qualify for cash bonuses and meritorious or distinguished executive ranks—awarded on the basis of performance. SES members may also qualify for sabbatical leave of up to 11 months and are not subject to annual leave accumulation ceilings for leave accrued while serving in SES positions. Individuals who do not measure up may be removed from SES and returned to GS-15 positions.

SES also provides for education and training programs. The Executive Improvement Program is to offer SES members courses, workshops,

and other internal continuing education programs to keep their managerial skills sharp. Individuals in GS-15 positions may qualify for the Executive Candidate Program, which serves as a pool from which managers will select many of the new SES appointees as vacancies occur.

The Comptroller General has overall responsibility for administering GAO's Senior Executive Service. Two Boards assist him: an Executive Resources Board, which develops policy, recommends SES candidates, and oversees all aspects of SES, and a Qualifications and Performance Review Board, which identifies candidates for entry into SES and certifies their qualifications. It also reviews performance contracts and ratings of most SES members and recommends performance ratings and nominees for bonuses and executive ranks.

Integral to SES, obviously, is its performance appraisal system. The Comptroller General viewed this system "as an opportunity to maintain and foster the high quality and effectiveness of GAO's executive management." GAO designed this system to encourage excellence; increase managerial and organizational effectiveness; and provide the basis for bonuses, merit ranks, and other personnel decisions for senior executives. The system's central element is the contract or agreement between an SES member and his supervisor which spells out goals and objectives, the activities needed to accomplish them over a given period, and the measures of achievement. The Comptroller General identified initially five key results areas—Work Results, Job/Unit Management, EEO/Affirmative Action, Staff Development and Management, and Institutional Management—in which he personally believed improvements were possible and where managers should devote time, energy, and talent. He provided managerial guidance for each area to assist his senior executives in focusing their attention on work matters which would ensure fulfillment of GAO's basic missions—serving the Congress and improving Government operations. These five areas became the basis for the performance contracts. The Comptroller General stated that the areas did not represent the senior executives' entire jobs but only the most important aspects of their jobs at that particular time. Therefore, they are subject to change at the beginning of each new contract period. Each executive has additional day-to-day responsibilities as well. Achievement of a mutually agreed upon critical element in each area ensures eligibility for either bonus awards or meritorious ranks.

An effort is currently underway to more precisely define the "process component" of GAO executive positions and its results will be incorporated into the SES appraisal system.

\* \* \* \* \*

The GAO Personnel Act of 1980 affords sufficient flexibility to design a system which can achieve the mutually dependent goals of GAO and its staff. Under the legislation GAO can more readily recruit and hire the people with the skills, knowledge, and expertise it needs. The Office, because of the more flexible compensation rates, especially at the entry level, will be able to recruit at those colleges and universities more widely known for their schools of government and public administration, schools whose graduates were formerly out of reach because GAO could not compete with the high salaries offered by private industry. GAO can design programs to develop, promote, and reward staff to enhance effective performance.

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1. Dr. Herbert also credits Ernest Anderson, Roger Kirvan, Edward Breen, and Fred Smith for developing the audit theory. He cites Allen Voss, William Conrardy, Hyman Krieger, Donald Scantlebury, Irwin d'Addario, Ellsworth Morse, and Robert Rasor for critically applying it.

2. "Condition," a statement of "what is," was added to the theory during the 1970's.

3. Memorandum from Comptroller General Elmer B. Staats to heads of divisions and offices and regional managers, January 20, 1976.

4. Pursuant to the Civil Service Reform Act of 1978, congressionally approved reorganization plans abolished the Civil Service Commission and established the Office of Personnel Management and related agencies. See page for further discussion.

5. Letter from Robert J. Drummond, Jr., Director, Bureau of Personnel Management Evaluation, Civil Service Commission, to Comptroller General Elmer B. Staats, October 12, 1978.

6. *Washington Post*, March 3, 1978, p. A18.



# Chapter 13

## Equal Employment Opportunity For Minorities And Women

In 1966, no one needed statistics to determine the status of women and minorities in GAO. A look at the faces of those at directors' meetings, audit sites, and work locations was enough to see that GAO was managed and its professional ranks staffed by white men. There were minorities and women at GAO, but they worked primarily as secretaries and typists and as low-graded clerks in the Transportation and Claims Division. For the most part, GAO in 1966 reflected the attitudes about minorities and women prevailing in the society it served.

Chapter 12 described GAO's efforts to diversify staff expertise. This was the first of many actions that provided employment opportunities for women and minorities. The diversification effort opened the doors to other disciplines which were not as white male dominated, and hiring from their ranks gave GAO new sources from which women and minorities could be tapped.

Gradually, GAO exerted additional efforts to hire more women and minorities. Whereas most recruiting had been done year after year at accounting schools sparsely attended by women and minorities, recruiters started visiting colleges populated predominantly by minorities. GAO established a task force to build bridges between clerical and professional jobs and divisions and offices restructured dead-end jobs to afford greater job satisfaction, compensation, and opportunity for advancement. They also consciously sought out women and minorities for positions above the entry-level grades.

Although the job is unfinished, GAO's employment of minorities and women increased between 1966 and 1980. Women and minorities became an integral part of the work force in many ways. By 1980, 20.4 percent of GAO's total work force were minorities compared with 12.2 percent in 1966. More than 12 percent of the GS-7's and above were minorities in 1980 compared to 2.5 percent in 1966.\* However, GAO-wide, white women and minorities are still underrepresented in certain occupations and grades; only 7 women or minorities occupy the 95 filled positions at GS-16 and above.

GAO had had to establish new policies and goals to bring about his change. The Comptroller General directed the development of 2- and 5-year hiring and promotion plans and took steps to hold his top managers accountable for instill-

ing equal opportunity in the work environment. To facilitate change, GAO developed a functional racism course to increase awareness of the need for equal opportunity and neutralize discriminatory behavior. It was followed by a human relations program intended to transfer responsibility for GAO's equal employment opportunity program (EEO) directly to the divisions and offices. Each division and office fashioned a program to meet its own needs and priorities, often expanding programs beyond the concerns of minorities and women. Recently, a new director of equal employment was appointed to continue the task begun during the 1966-81 period.

### Equal Opportunity Efforts In GAO Tied To Legislation

In 1966, the Federal Government's equal opportunity programs were gaining momentum. The Kennedy administration had introduced equal employment measures which adopted a more forceful approach of corrective action for past discrimination. The Johnson administration continued in this vein and spurred by the national civil rights movement, won enactment of the Civil Rights Act of 1964. It established the Equal Employment Opportunity Commission (EEOC) and authorized it to investigate and take action against discrimination in most areas of private employment.

The act also stated:

*It shall be policy of the United States to ensure equal employment opportunities for Federal employees without discrimination because of race, color, religion, sex or national origin and the President shall utilize his existing authority to effectuate this policy.<sup>1</sup>*

In 1965, President Johnson restated equal opportunity principles in an executive order which also required Federal agencies to implement a continuing and positive program to eliminate discrimination on the basis of race, color, creed, or national origin. Affirmative action was becoming the standard for Federal equal opportunity programs. In 1967 another executive order incorporated equality on the basis of sex into the Federal EEO program for the first time.

Although responsible for ensuring equal opportunity in the Federal Government since the 1940's, the Civil Service Commission's role was enhanced by the Equal Employment Opportu-

\*Available statistics for 1966 do not differentiate between professional and support staff. Since GS-7 was and is the entry level for the audit-evaluator staff, we used these numbers in the comparison. Naturally, they include some nonaudit staff members.

nity Act of 1972. For the first time ever, the act placed the program and CSC's responsibility for it on a statutory basis. It reaffirmed the policy of nondiscrimination and affirmative action and empowered CSC to enforce its provisions. It also made CSC responsible for the annual review and approval of agency equal opportunity plans and for evaluating them. In terms of policy, the act stressed an affirmative rather than simply a corrective approach.<sup>2</sup>

At GAO, Comptroller General Staats was to learn that persuading others and achieving results would not come easy. Following President Johnson's 1965 executive order, he established an EEO program in GAO and issued an action plan to implement it.\* The 1966 plan identified two problems:

- Lack of qualified minority group candidates for professional staff positions in the accounting and auditing activities of GAO.
- The need to provide increased career opportunities for minority group members already in GAO.

It also set forth actions intended to resolve these problems:

- Identifying and interviewing qualified minority students at colleges regularly visited for recruitment purposes.
- Visiting minority colleges to encourage and interest minority students in pursuing careers with GAO.
- Establishing training and development programs intended to enhance career opportunities for editors, legal assistants, and clerical staff.<sup>3</sup>

In 1966, GAO established an Equal Employment Opportunity Planning Committee to recommend specific actions to increase the effectiveness of GAO's program. The Committee was to evaluate GAO's EEO program, but there is little evidence to indicate that any formal evaluation took place.

In 1968 GAO prepared a second action plan. The problems it stated and actions it proposed were similar to those identified in 1966, but it focused on the employment and career enhancement of women following the 1967 ex-

ecutive order incorporating equal opportunity on the basis of sex in the Federal program. A third GAO plan issued in 1970 reiterated the employment problems of women and minorities and outlined the first steps toward establishing an upward mobility program, equal opportunity training for supervisors and managers, and a complaint processing system.

#### **EXPANDING GAO'S EEO PROGRAM**

In the spring of 1971, the Black Caucus—a newly formed organization with a base among the approximately 600 clerical and technical employees in the predominantly black Transportation Division—staged a loud and large demonstration in front of the GAO Building. The group's major complaints were low-paying dead-end jobs, poor working conditions, and few training opportunities. A top-level management committee subsequently met with Caucus leaders to hear their grievances and work toward solutions.

Shortly thereafter a job rotation program was implemented in the Transportation Division. It enabled about 100 employees in GS-4 clerk position (many of them had been in those positions for 15 or more years) to be promoted to GS-5. Renovation was planned for the Division's work area, a large open office with bare floors, old furniture and equipment, and little privacy. Improvements included paint, some carpeting, new furniture, and installation of partitions to break up this "bull pen."

GAO's personnel office began developing a secretarial training program to give clerks an opportunity to develop skills which would enable them to move out of the Transportation Division and into the auditing divisions. As it turned out, this effort was handicapped from the start because the program had no job placement provisions after successful completion of secretarial training. Employees with new skills were kept in their old jobs while they competed for secretarial jobs in the main building and at audit sites in the metropolitan area. A few made it out; most did not. Audit site managers, for example, many times failed to select the newly trained secretaries to fill vacant positions because the "applicant lacked previous audit site experience." At the same time, many white secretaries were hired from outside GAO and permanently placed in these positions.<sup>4</sup>

#### **1972 AFFIRMATIVE ACTION PLAN**

Conscious of the Transportation Division's problems and responding to the new requirements in the Equal Employment Opportunity Act

\*GAO as a legislative branch agency was not bound to comply with equal opportunity legislation until 1972 when the EEO Act specifically brought all Federal agencies, including those in the legislative branch, under its provisions. GAO generally complied with all legislation before 1972. GAO is currently appealing a Federal district court's ruling that GAO is not subject to the 1964 and 1972 laws. See feature story, page 197.

of 1972, the Comptroller General strengthened GAO's equal opportunity program and organizational structure to carry it out. By the end of 1972, he had appointed an Acting EEO Director, a full-time EEO Deputy Director, a full-time EEO Coordinator, and a part-time Federal Women's Program Coordinator.

In 1972, GAO also established a Personnel Relations Planning Committee (replacing the four member EEO Planning Committee formed in 1966) to consider and resolve policy matters in the areas of personnel relations, union activities, and equal employment opportunity. This committee, composed of key EEO personnel and division and office directors representing both headquarters and the field, met quarterly. The Director and Deputy Director, EEO; the EEO Coordinator; the Federal Women's Program Coordinator; the Director of Personnel Management; and the Assistant Director for Personnel Operations functioned as a steering committee of the full committee and met twice a month. To assist the Personnel Relations Planning Committee and provide a voice for the rank and file employee, the Comptroller General established an EEO Advisory Council. (See p. 199.)

In addition, several programs affecting the career development of support personnel were instituted in the Transportation Division. These included:

- Establishment of a full-time Career Development Coordinator.
- Designation of 22 training advisors for employees at all levels.
- Job restructuring.
- Job training assignments.

GAO's 1972 Affirmative Action Plan (so named in response to the 1972 Equal Employment Opportunity Act) underwent considerable change in its development and content. It was first drafted in the fall of 1971 by Alex Silva, then an employee development specialist in the Office of Personnel Management, after a survey he had conducted of the agency's equal opportunity environment at the request of the EEO Planning Committee. His proposal for the calendar 1972 plan was presented to the committee in January. Recommendations included wide-ranging changes in the entire recruitment process, establishment of employment goals and timetables for minorities and women, establishment of career development programs, overhaul of the discrimination complaint processing system, appointment of EEO Officers, analysis of the equal opportunity environment in regional offices, extensive improvement in administration of the merit promotion system and the competitive selection process, creation of upward mobility programs, acceleration of the schedule for improving working conditions in the Transportation Division, and improved communications between manage-

ment and employees on equal opportunity and related issues.

When the plan was presented to GAO's top managers for comment, it was generally viewed as too ambitious and unrealistic and as an overreaction to the problems. The EEO Acting Director then began developing a consensus on an acceptable plan with key managers. After its revision the plan was submitted to CSC in May 1972.

As submitted to CSC, the plan established auditor recruitment goals of 10 percent for minorities and 10 percent for women, figures substantially lower than those originally proposed. Goals by grade levels and timetables for their achievement had been discarded. Establishment of upward mobility programs was eliminated in favor of a feasibility study to determine whether they were really needed. Nevertheless, the final plan contained sufficient substance to mark it as a significant departure from the problem statement plans of the past.<sup>5</sup>

#### CITIZENS ADVOCATE CENTER CRITICISMS

In September 1972, 4 months after the plan had cleared GAO, an ad hoc committee of House members held public hearings on equal opportunity in Federal agencies. The Citizens Advocate Center, a small nonprofit research organization which several months earlier had begun to examine GAO from a mission-oriented perspective, was among those called to testify. The Center staff had interviewed key personnel, accumulated data, and generally gotten a feel for the agency, after which the study's original purpose was changed. Their interest began to focus on equal employment opportunity when Center staff saw only white men in responsible jobs and in decisionmaking positions and noticed conditions in the Transportation Division.

At the House hearings, Center representatives delivered a scathing attack on discrimination in GAO. They supplemented their oral presentation with a voluminous written report. On the same day they presented a copy of their report to the Comptroller General. Staats asked Silva whether, based on his observations, he thought there was any merit to the Center's charges. Silva replied that, for the most part, the Center had accurately assessed the situation, but he believed the Center was off base on a fundamental point—the overall problem was not one of a GAO conspiracy with intent to discriminate.

Silva saw the problem as an inability of GAO managers and staff to understand why affirmative action was needed and what form it must take if the situation was to dramatically improve.

Several days later Silva was assigned to work totally on equal opportunity matters. In December he was promoted to the new full-time position of EEO Deputy Director and relocated in the Office of the Comptroller General. Shortly

thereafter he was allocated two full-time staff positions with additional personnel to be detailed as needed.

In February 1973, GAO became the first Federal agency to have a "third party complaint" filed against it under the 1972 EEO Act. Filed by

the Citizens Advocate Center, the complaint generated considerable media attention. At the time, CSC regulations required that when an organization or another "third party" alleged discrimination in an agency (unrelated to an individual complaint of discrimination), the agency must

## Formal Discrimination Complaints Filed

As required by law of all Federal agencies, GAO established a system to adjudicate employee claims of discrimination. The first step was an attempt at informal resolution of the employee's complaint and, failing that, the second step required the aggrieved employee to file a formal complaint and GAO to investigate its merit. If unsatisfied with the investigator's report and GAO's second attempt at informal resolution, the complainant could request a hearing before an independent examiner. The examiner recommended a final solution to the Comptroller General, who could accept, modify, or reject it. The complainant could then appeal the decision to CSC or go beyond the administrative process and file a civil action in a U.S. district court. In 1978 GAO changed its adjudication system to comply with the Civil Service Reform Act of 1978 and directed appeals to EEOC. Under GAO's independent personnel system, effective October 1980, similar administrative procedure for handling discrimination complaints will be followed except that appeals are to be filed with the GAO Appeals Board.

In 1979 and 1980 employees filed 11 formal complaints against GAO—8 on the basis of race and one each on the basis of religion, national origin, and age and sex. Two of the cases have been settled; the remaining nine are in some stage of the administrative process described above. (Information is not available on the number of complaints filed before 1979.)

At least three earlier complaints of discrimination have been resolved through the Federal courts. One case settled with approval of the Court in early 1981 involved employees in the former Transportation and Claims Division. Four employees (one eventually dropped out) filed a class action suit in 1973 alleging race and sex discrimination in training opportunities, promotion policies, hiring practices, and advancement to higher graded positions. The suit alleged that a "blatant pattern and practice of discrimination against blacks and women" kept most employees in the division in low-paying clerical jobs. GAO did not admit any merit to these allegations. However, GAO agreed to monetary and nonmonetary terms to settle the case. Former and present employees shared in a total settlement of \$4.2 million. GAO agreed to oversee personnel practices and to ensure affirmative action and equal opportunity for all applicants and employees now in the Claims group of the Accounting and Financial Management Division. GAO agreed to the settlement to avoid a protracted court trial involving former and present employees and its effect on the Office.

Two cases were settled with Consent Decrees in March 1979. In one a white male filed a suit on behalf of all white males who, since 1972, had applied for employment and were employed by GAO, alleging race discrimination. In the second suit, four white employees, two men and two women, filed a suit making similar charges. The allegations included unequal enforcement of personnel policies and practices between blacks and whites and mandatory attendance at the functional racism course, which asserted white racist attitudes but ignored nonwhite racist attitudes. In the Consent Decrees, GAO did not admit violating any law or regulation and the Federal district court stated that no findings of any kind concerning the merits of the allegations had been made. The Consent Decrees provided for the payment of attorneys fees and court costs only, and GAO agreed to ensure that its policies and procedures would not discriminate against employees or applicants on the basis of race.

A third suit filed in the Federal district court but not yet settled may affect the outcome of cases still pending because an initial ruling in that case removed GAO from the provisions of the Civil Rights Act of 1964 and the 1972 amendments thereto. A black attorney in the Office of the General Counsel alleged race discrimination when his employment was terminated in 1977. He argued in Court that he was not protected by civil rights legislation applicable to other Federal employees. The merits of the case have not yet been considered because the Federal District Court agreed with the complainant and ruled that language in the 1972 amendments to the Civil Rights Act exempts GAO from their provisions. GAO and the Department of Justice are appealing the decision in the United States Court of Appeals for the District of Columbia. No decision has been made yet even though the court of appeals received the case in December 1978.

investigate each allegation and submit a report on its findings and any corrective actions to both CSC and the complainant. If the third party disagreed with the agency's findings and conclusions, it could request a CSC review. CSC could then make any additional investigation it thought necessary.

This process was followed in GAO's case. GAO responded to the Center's allegations of rampant racism and lack of affirmative action by pointing, for the most part, to its 1972 action plan and the fact that it was being implemented under the general guidance of a full-time EEO Deputy Director. The Center, finding the agency's response unsatisfactory, requested a Commission review. CSC responded by sending investigators to examine conditions in GAO. They concluded that although GAO had many serious equal opportunity problems, the 1972 plan represented a genuine effort to institute corrective action and the agency should be given adequate time to try to get its own house in order.

Driven by these events and a growing awareness inside GAO that action was needed, the equal opportunity program gained momentum. For example, in the fiscal year 1973 recruiting year, GAO hired 73 minorities, or 25.6 percent of the total entry level recruits, for its professional staff compared with a goal of 10 percent in the 1972 plan. When GAO officials learned that the program to teach secretarial skills to transportation clerks had resulted in less than a 30-percent placement rate in secretarial jobs, successful trainees were immediately reassigned to the headquarterswide secretarial pool along with new hires and placed directly in the divisions and offices. This also turned attention to the need for more upward mobility avenues.

Although the action plan had called for the Acting EEO Director to visit each regional office to spread the word about what was expected regarding equal opportunity, the Comptroller General decided to personally address the subject at the annual regional managers' meeting. Renovation of the Transportation Division offices also proceeded ahead of schedule.<sup>6</sup>

#### **CONGRESSIONAL INTEREST**

Perhaps spurred by the third party complaint and its attendant publicity, the House Subcommittee on Legislative Branch Appropriations, House Appropriations Committee, critically questioned the Comptroller General on hiring and placement of minorities and women at GAO's appropriation hearings in 1973 and again in 1974. One Congressman zeroed in on the absence of women and blacks in senior positions, the upward mobility program, the high percentage of blacks in the Transportation and Claims Division (TCD), and the proposed transfer of the transportation audit function to the General Services Administration. (See ch. 8.)

The Comptroller General and other officials described GAO's efforts to secure equal opportunity for applicants and employees alike. In particular, they noted the special steps that would be taken to safeguard the employment rights of staff in the Transportation and Claims Division subject to relocation if the Congress were to approve the transfer. The Comptroller General cited the actions GAO and its Educator Consultant Panel had planned to help attract more women and minorities to the business and management schools in colleges and universities across the country. He also noted that as congressional watchdog over Federal agency equal opportunity programs, among other things, it was incumbent upon GAO to conduct a model program of its own.

GAO's action plan for calendar 1973 picked up the pace established in 1972. The Office of Internal Review was directed to evaluate the effectiveness of the equal opportunity program. The personnel office was required to submit periodic progress reports to the Comptroller General on minority and female recruiting efforts. Information on a revamped complaint processing system was to be widely disseminated so employees could take advantage of it if needed. EEO officers, EEO counselors, and the EEO Advisory Council were to have periodic joint meetings to discuss matters of common concern and propose solutions. For the first time, employment data on the status of minorities and women was to be included in the automated data personnel system.<sup>7</sup>

#### **AFFIRMATIVE ACTION PLANS**

GAO's equal opportunity program continued to evolve in the mid- and late 1970's. Under the direction of William Conrardy, appointed part-time EEO Director in September 1973, the 1974 Affirmative Action Plan stressed aggressive affirmative action. The recruiting program was revamped to give added emphasis to visiting schools more heavily populated with minorities and women; higher goals for recruiting minorities and women were established; an upward mobility program was implemented; additional EEO counselors were named and their use and effectiveness increased; EEO awareness was stressed to all staff; a Comptroller General's annual EEO award was established; and the Federal Women's Program became operational under a full-time manager. Many organizational changes occurred including:

- In 1973 division and office directors and regional managers were appointed as EEO officers to emphasize the importance of EEO in day-to-day operations.
- In 1973 the position of Director, Upward Mobility, and an Upward Mobility Office were established.

- In 1974 EEO counselors and investigators were named at field locations.
- In 1975, the position of a full-time EEO Director was established and the EEO Office was formally established and its staff expanded to include EEO specialists.
- In 1975 the Women's Advisory Committee was formed.
- In 1978 the Handicapped Employees Advisory Committee was chartered.

During these years GAO and the EEO Office also joined efforts to implement at least 10 additional projects geared to promoting equal opportunity and achieving other goals and objectives, including career counseling, a promotion appraisal system, equal opportunity training for supervisors and managers, a functional racism course, internal EEO program evaluation, a promotion appraisal system for nonaudit staff, a Hispanic employment program, and an expanded human relations program.

Several of these programs deserve special mention because of their impact on GAO staff, both minority and nonminority, men and women.

#### **ADVISORY COMMITTEES**

Many of the frustrations of women and minorities in today's society stem from a feeling that they have no means to communicate their ideas, concerns, and needs to the people in charge. Management fails to make changes in policies and programs because it does not recognize the need for change and has no one available to tell them of it.

New lines of communication were opened. The Office established three advisory bodies charged with identifying and communicating to management the special needs of their constituents. The first, the EEO Advisory Council, was established in 1971 when some of GAO's equal opportunity problems began to surface and became apparent to both employees and the public. Its purpose was to provide a medium for employee/management participation in equal opportunity matters; to improve communication between employees and management; to assist

in developing the EEO Action Plan; and to recommend improvements in EEO policies, procedures, and practices.

The second, the Women's Advisory Committee, was officially sanctioned in April 1976 and the third, the Advisory Committee on the Handicapped, in October 1978. Each had objectives similar to those of the EEO Advisory Council—to improve communications with top management and present the issues and concerns of their constituents.

Committee members are selected by GAO employees through annual elections to fill vacant seats. Naturally the members' effectiveness depends on the people involved and the effort expended. Each member is authorized 8 hours per month to conduct committee business, although they also devote many lunch breaks and personal time to these endeavors. It became common practice for the Comptroller General, task force leaders, and most of GAO's top managers to funnel management proposals to these committees for their advice and comments.

Staff in the EEO office also promoted the civil rights of all GAO employees. The first Federal Women's Program Coordinator, a position established by CSC directive, was appointed in 1971, the Hispanic Employment Program Coordinator in 1973, and the Handicapped Coordinator in 1979. All now work full time to further equal opportunity through affirmative action. They oversee many personnel management activities, such as recruiting, hiring, placement, assignments, promotions, training, and upward mobility. They also sponsor programs designed to increase employee awareness of the need for maintaining an equal opportunity environment.

#### **ENTRY-LEVEL RECRUITING**

GAO's recruitment of women and minorities began in earnest in the 1970's. GAO began to identify and visit minority and women's colleges and then to interview and eventually hire qualified candidates.

In 1970 GAO's Office of Personnel Management hired a person to direct the overall recruiting program and increase the number of women



**MEMBERS OF THE EQUAL EMPLOYMENT OPPORTUNITY ADVISORY COUNCIL, July 1980**

and minorities hired at the entry level. Following GAO's traditional recruiting procedures, he first identified the predominantly black and women's colleges and universities, established personal contacts with deans and professors, participated in career day programs, and generally extolled the virtues of becoming a GAO auditor to faculty and students alike. He scheduled recruiting dates for the divisions and regional offices at these schools. He encouraged recruiters to talk to all applicants, regardless of race or sex, at the other schools already on GAO's recruiting list.

The recruiting director enlisted women and minorities already employed by GAO as recruiters and sent them out to all colleges, with or without the regular recruiters. He scheduled meetings with all recruiters and emphasized the importance the Comptroller General attached to achieving GAO's equal opportunity goals; hiring minorities and women was an important one. He also implemented a system to track the recruiting and subsequent hiring of women and minorities to determine where additional emphasis was needed.

Gradually the number of women and minorities in GAO grew as recruiting at all types of colleges—white, black, men's and women's—became more routine.

#### UPPER-LEVEL RECRUITING

Upper-level recruiting also helped integrate minorities and women into GAO. As described in chapter 12 GAO started in the late 1960's to diversify the expertise and educational backgrounds of its staff. Some of these efforts were directed at mid- and upper-level positions (GS-11 and above) and complemented the integration of women and minorities into GAO's senior ranks. If GAO had waited until its college recruits gained the experience and competence to reach these grade levels, the integration would be at

a lower level than it is even today. Divisions and offices were at first reluctant to hire any upper-level staff from outside the agency because of concern about their ability to adjust to the GAO routine. They feared that a person in a supervisory or managerial position who was unfamiliar with work procedures and practices would only confuse and delay completion of assignments.

In an effort to allay these fears and acquaint upper-level hires with GAO as quickly as possible, GAO conducted orientation seminars. The program provided a general overview of GAO and introduced the new staff to the philosophy, techniques, and terminology used in the Office. Topics included GAO organization; relationships between divisions, offices, and regional offices; the cycle of a GAO review; and rating and promotion systems.

Assimilation of people hired for upper-level positions, whether minority or not, met with resistance from some GAO staff members despite the orientation. Many resented the fact that the upper-level hires did not "pay their dues," so to speak, by advancing up the ranks from the entry levels. In their view, people hired from outside the agency limited advancement opportunities for those already in GAO as well.

GAO generally met its upper-level hiring goals for white women, blacks, and Asians, especially in more recent years. However, the agency fell short of its goals for Hispanics and American Indians. Those hired helped make GAO's middle and upper ranks somewhat more representative.

#### UPWARD MOBILITY PROGRAM

Upward mobility was one of GAO's earliest equal opportunity programs. At first dead-end jobs in the Transportation and Claims Division were identified and restructured to afford promotions and higher compensation for low-graded



MEMBERS OF THE 1981 WOMEN'S ADVISORY COMMITTEE



staff. A small number of trainee positions were also established to provide employment opportunities at a lower level with lower entrance requirements. For example, the Office of Administrative Services redesigned the payroll clerk position to allow entry at the second lowest level on the Federal pay scale. These early programs were primarily geared to administrative or support positions and as such could not be considered true upward mobility programs which generally entail a change in career paths.

Responding to the requirements of the Equal Employment Opportunity Act of 1972, GAO designed a formal upward mobility program in 1973 and implemented it in 1974. Its purpose was to provide career advancement opportunities for GAO's clerical, technical, administrative, and secretarial employees in limited mobility jobs through a combination of training, college education, and on-the-job experience. GAO established three upward mobility avenues that first year—management analyst assistant, management analyst trainee, and claims adjudicator.

By regulation, the upward mobility program focused on employees at lower grade levels, and many women and minorities, who were concentrated at the lower levels because of inadequate education and past discrimination, derived sub-

stantial benefits from them. However, the program was not solely a means of providing advancement opportunities for women and minorities. It derived its impetus from a more basic issue—human resource development. In this pursuit, GAO's upward mobility program tried to provide career opportunities, without regard to race or sex, to all underused or underdeveloped lower level employees who demonstrated potential for greater responsibilities.<sup>8</sup>

In the late 1970's, organizational changes affected the operation of the program. When first started, a full-time upward mobility director and staff administered the program. They established policy and procedures; identified and advertised the number and types of vacancies; evaluated applicants; and, finally, selected and placed candidates in the divisions and offices. They also monitored the performance and progress of each participant and tracked the entire program. Over the years, several of these procedures were decentralized to the divisions and offices because they preferred to identify their own upward mobility positions and select the incumbents. The Upward Mobility Office continued to advertise the positions and provide a list of qualified applicants to the divisions and offices. It remained a focal point for the program as well.



**UPWARD MOBILITY PROGRAM PARTICIPANTS** and Deputy Comptroller General Keller watching Comptroller General Staats signing memorandum authorizing the program

With the establishment of the personnel service teams in 1979 the upward mobility program was decentralized altogether. The Upward Mobility Office was disbanded and its staff reassigned to other positions in Personnel or elsewhere. Each personnel team administered the program for its set of divisions and offices.

Decreasing staff requirements and changes in the organization and the work done by GAO led to the phasing out of several of the original upward mobility positions through the years. However, new positions were added as opportunities arose. As of October 1, 1980, 23 staff members, 12 in the regional offices and 11 in 6 of the operating divisions, were participating in the program. Most were management assistants; one was an editorial assistant and four were computer technicians. Since the program began in 1973, 74 graduates advanced to positions offering greater career opportunities.

With the development of its own personnel system, GAO started reconsidering its traditional means of providing additional career opportuni-

ties not only for lower graded staff but for anyone with educational or experience qualifications below those normally required for professional positions. As this is written, GAO is considering the continuation or implementation of three programs—upward mobility, cooperative education, and evaluator assistant—to expand career opportunities for potential GAO evaluators.

#### **FUNCTIONAL RACISM COURSE**

One of the most controversial equal opportunity efforts was the functional racism course attended by GAO employees during 1977 and 1978. Conceived in 1975 as a means to induce change in discriminatory behavior and increase awareness of the problems faced by minorities, the course provided mixed results.

The course grew from the Human Resources Division's efforts to improve its own racial climate. The division designed a program which would (1) show how racism could be deleterious to the opportunities of minorities in the work environment, (2) identify how racism affects the

### **Upward Mobility Offers Employee Opportunity For Achieving Career Goals**

GAO's upward mobility program combines daily work experience, on-the-job training, and college education to provide avenues of advancement for lower graded employees. Secretaries, clerks, claims adjudicators, or clerical workers can compete for higher paying management analyst, staffing specialist, computer programmer, computer technician, budget analyst, or editor positions. Successful completion of the 2-year trainee position enables participants to advance to the entry level grade with no further competition. Since 1973, 74 upward mobility graduates advanced to positions promising greater opportunities. Lucy Hall is one of those graduates.

Hall had been employed at the Federal Bureau of Investigation as a fingerprint clerk and the Federal Deposit Insurance Corporation as a library technician before joining GAO in 1973. She enjoyed her work as a GS-5 mail and file clerk in the Office of the General Counsel's Index and Files Section. It involved tracking requests from the Congress, government agencies, and the public for GAO audits and Comptroller General decisions from receipt to final disposition. She learned much about GAO's and the Federal Government's operations and activities but realized that her advancement opportunities were limited and that her career goals of having decisionmaking authority and determining her own work schedule would not be satisfied in this position. Even a promotion to GS-6 in Index and Files was a remote possibility because of the more experienced and competitive staff members ahead of her.

While deciding what to do and preparing for her eventual enrollment in college, Hall attended a GAO-sponsored accounting class on Saturday mornings. What she heard from other students about their jobs convinced her to try for GAO's upward mobility program. First she took some college courses at the University of Maryland and then applied for the program. Following an interview by a panel of 6 selection officers, she and 20 other applicants were selected in 1976. In January 1977 she became a GS-5 management analyst trainee and was assigned to the General Government Division's Postal Service audit site. The Upward Mobility Office advised her on course selection at Howard University, and her sponsor advised her on scheduling class and worktime and on balancing the demands of GAO and college with her family responsibilities. He also provided the moral support much needed especially during the first hectic months.

Hall was treated just as any other first year auditor. At each audit site and on each assignment, Hall received increasingly difficult and challenging tasks. During her 9 months at the Postal Service site, she helped conduct interviews and eventually conducted solo interviews. She also gathered, summarized, and analyzed data and drafted workpaper summaries. She worked primarily on two assignments at this site. One, a congressional request to review financial activities of the Postal Service Commission, sent her to New York City for 4 days.

total work environment, and (3) show how racist behavior can be neutralized. GAO subsequently hired a sociologist and a psychologist to refine the program with the idea of presenting it GAO-wide.

The 2-day course, as presented GAO-wide, centered on a conceptual model of discrimination that characterized institutional race discrimination (functional racism) as differential treatment of minorities which is (1) correlated with skin color, (2) results from the normal functioning of society and the organization, and (3) operates to the consistent disadvantage of minorities.

According to the theory, racism today results largely from the operation of stereotypes which both consciously and unconsciously affect cross-racial interactions. Through stereotyping, the unique characteristics of a person are ignored; he or she is treated as a member of a class or group, for example, whites, blacks, or Asians. Since skin color is readily observed, it offers an easy way to group people and thus stereotypes them, especially since many societies negatively valued darker skin color. This negative valuation

is reinforced through jokes, anecdotes, literature, schoolbooks, films, television, social exclusion, segregation, and so forth.

To present the material efficiently and consistently, the course concepts were recorded by the program designers on video tape cassettes. GAO staff members, specially trained as facilitators, were present in the classroom to administer the course and lead discussions of the video tapes. The course was presented many times over a period of months until almost all personnel had been exposed to it.

The program designers developed an extensive program to measure the impact of the course on staff behavior and institutional practices. Course consultants and facilitators administered pre- and postcourse questionnaires and conducted numerous personal interviews. Each division and office evaluated specific personnel practices, such as recruiting and hiring, competitive selection, promotions, work force analysis, and performance appraisal and counseling, to determine if longstanding institutional policies and procedures perpetuated functional racism.

## **Upward Mobility Offers Employee Opportunity For Achieving Career Goals—Continued**

The final report, with findings on overpayments to travel agents, received newspaper publicity.

In October 1977 Hall rotated to GGD's Capitol Hill audit site, where she audited the House of Representatives Finance Office. She performed financial auditing duties, including sampling, verifying, and tracing vouchers to check registers; reconciling subsidiary ledgers to the general ledger; participating in cash counts; and retrieving information from computer terminals. She had daily contact with House Finance Office personnel and prepared workpapers on both these interviews and audit findings. Her accounting courses and work tasks complemented each other.

After 6 months Hall again rotated, this time to the division's Paperwork Management Group. She found her assignment on a review of paperwork burdens on the elderly and the interviews with officials and residents of senior citizens' centers particularly interesting. Hall's duties included traveling to the Social Security Administration in Baltimore and to Capitol Hill where she participated in both House and Senate staff meetings. She also helped draft the review summary.

Throughout her 2-year training period, Hall received the support and encouragement of her sponsor, her supervisors, and her coworkers. Their help eased the burden of combining work and school responsibilities. Although the program authorized work release time (Hall attended classes two mornings a week at Howard University and worked at GAO the remainder of the time), both combined required extra concentration and effort. Her successful handling of both was evident in her progress and development.

Hall graduated from the upward mobility program in February 1979. She became a full-fledged management auditor and was assigned to the General Government Division's Financial Institutions Regulation Group. She continued to progress and received more and more difficult assignments under several supervisors.

Hall was promoted to GS-9 in February 1980. She continues to work toward her degree at the University of Maryland, having transferred there in 1978, and expects to receive a Bachelor of Science degree in accounting in 1983.

GAO's upward mobility program enabled Hall to cross over from a limited clerking job to a self-satisfying and opportunity-filled career. Her future is not yet assured, but prospects for additional success are favorable.

Not all who wanted to participate in this program have been able to, nor has the program worked as well for others admitted, but the Lucy Halls of GAO provide ample reward for those involved.

A consultant's report outlined the most noteworthy outcomes of the course as follows:

- Ninety percent of the respondents stated that functional racism could be changed following their participation in the course.
- Seventy-seven percent reported increased awareness of the problems that can occur because of functional racism.
- Seventy-one percent reported an increased ability to deal with such problems.

Did this course affect how people acted? According to the consultant, the course provided a useful way of looking at and understanding functional racism, but appeared to have limited impact on behavior. The consultant concluded generally changing awareness was easier than developing more specific and concrete plans for reducing discriminatory behavior. "Awareness changes can logically be expected to precede behavior change and may constitute a necessary precondition for behavior change," the report said. The data showed that the course raised employee awareness of racial discrimination in GAO and the problems which can occur in an organization because of functional racism.<sup>9</sup>

Some employees believed, however, the course may also have heightened antagonism between blacks and whites. For all practical purposes, the course was mandatory for all staff members, and some said they were offended by being required to attend a course in which highly personal and often explosive feelings were discussed. Others were uncomfortable with the assertion that everyone was a racist, but especially the whites because they believed the course was designed to neutralize whites' discrimination against minorities.

Many taking the course thought the packaging detracted from the message. When the Comptroller General and other top officials had taken part in a live presentation of the course, they developed a good relationship and had free flowing discussions with the instructors. However, when the course was given office-wide, it, by necessity, used video tape and facilitators. As a result, the participants lost the benefits of the personal contact with the experienced consultants and psychologists who had developed the course. These qualities provided the basis for understanding the longstanding and previously unquestioned discriminatory behavior. Even the best trained facilitators could not fully overcome the limitations inherent in the video tape presentation.

#### **HUMAN RELATIONS PROGRAM**

Management realized that the impact of GAO's functional racism training would soon fade if its message was not reinforced. This set the stage for planning and implementing a follow-on program. Known as phase II of GAO's An-

tidiscrimination/Human Relations program, the followon embodied a transfer of responsibility for equal opportunity planning and implementation from the Comptroller General's office to the regional managers and division directors.

Phase II allowed the divisions and offices to tailor their followon activities to meet their specific needs. The Office's experience in affirmative action planning had made it clear that various human relations problems affected not only discrimination, but also productivity and morale more generally. The character of these concerns differed appreciably from one division to another. Therefore, many managers elected to broaden the phase II program's focus to include such concerns as sexism, elitism, communications skills, and supervisory skills.

As division and regional management assumed ownership of the program, detailed assessments of organizational climate were made with the assistance of consultants and behavioral psychologists. These assessments led to the development of human relations action plans aimed at reinforcing awareness gains, promoting institutional policy changes, and implementing human relations programs. Many of these plans suggested imaginative and creative approaches potentially useful to the entire agency. Some of the highlights included:

- A series of luncheon speakers on human relations topics.
- Formation of standing committees to monitor organizational climate and plan and promote awareness activities within regions and divisions.
- Supervisory skills training with an emphasis on affirmative action/human relations issues.
- Human relations skills workshops and seminars on human values.
- Films and speakers on EEO/human relations topics.
- Participation in various community outreach programs.

In many divisions and regional offices, these efforts moved the organization toward a greater awareness of cultural identity and a stronger emphasis on good human relations practices. In addition, phase II provided increased opportunities for staff to participate in change efforts, thereby increasing their sense of involvement, commitment, and accountability. This sense of accountability was necessary for the long-term maintenance of an equal opportunity environment.

Phase II depended on a high level of voluntary activity. Every region and division submitted an action plan to the Comptroller General, and most regions and divisions took some steps to implement them. Progress was interrupted, however, by development and presentation of the Skills for Performance and Career Development

course in 1980. (See ch. 12.) While the SPCD course complemented the goals of the human relations program, it also diverted many divisions and offices from their original plans. One program consultant advised that in the future, attention should be given to standardizing the level of effort devoted to affirmative action and human relations planning across GAO; other consultants, however, have counseled against a standardized approach.<sup>10</sup>

### **COMPETITIVE SELECTION PROCESS**

In addition to ensuring compliance with the Civil Service Commission's merit promotion guidelines and encouraging interdivisional pro-

motions and crossfertilization of staff expertise, the competitive selection process impacted the hiring and promotion of minorities and women. Data generated from competitive selection monitoring efforts indicated that in the early years minorities had little success in competing for mid-management positions. It also showed that in more recent years, minority men and women were selected for promotions at a rate comparable to that for white men. However, it indicated that none of these three groups did as well as white women, the most successful group in the competitive selection process. The results of the competitive selection process follow in figure 13-1.

**Figure 13-1  
Results Of The Competitive Selection Process By Race And Sex**

	<b>Number of Persons Applying</b>	<b>Percentage Certified of Persons Who Applied</b>	<b>Percentage Selected of Persons Who Applied</b>
<b>1976<sup>a</sup></b>			
White Men	258	39.5	13.6
White Women	7	57.1	57.1
Minority Men	7	14.3	14.3
Minority Women	1	—	—
<b>1977</b>			
White Men	1222	43.0	14.2
White Women	49	63.3	34.7
Minority Men	45	24.4	—
Minority Women	15	20.0	—
<b>1978</b>			
White Men	1909	38.6	11.1
White Women	112	49.1	20.5
Minority Men	108	37.0	11.1
Minority Women	37	24.3	8.1
<b>1979</b>			
White Men	1594	51.2	10.6
White Women	113	61.2	23.9
Minority Men	86	34.5	14.0
Minority Women	58	34.5	12.1
<b>1980<sup>b</sup></b>			
White Men	1617	60.2	10.0
White Women	156	66.7	19.9
Minority Men	132	29.5	8.3
Minority Women	47	46.8	12.8
<b>4 Year Totals</b>			
White Men	6600	47.8	11.4
White Women	437	60.4	23.3
Minority Men	378	32.0	9.5
Minority Women	158	34.2	10.1

<sup>a</sup>October, November, and December  
<sup>b</sup>January through September

GAO studied the competitive selection process from many angles and took many steps to encourage greater participation and success by women and minorities. A questionnaire sent to minority men and women in early 1978 indicated that many believed the successful candidates were preselected from within the divisions advertising the vacancies and outsiders had little chance of being selected; that the program's track record was proof of the futility of applying; that upper-level hires (many of whom were women and minorities) were at a disadvantage; and minorities were not receiving the types of audit experience needed to make them competitive.

Data collected during development of what became the GAO Evaluator series concluded that no statistically significant differences existed between the work experiences of women and minorities and their counterpart white men. However, there was a consistent pattern of women and minorities receiving somewhat lower job responsibilities. The study team stated that this last conclusion warranted further study to ensure that the differences do not become significant.<sup>11</sup>

A more recent study assessing equal opportunity in GAO's competitive selection system concluded that based on time-in-grade statistics, minorities and women were promoted as fast as or faster than white men. The apparently lower competitive selection rates may be considered artifacts of the change in GAO's recruitment profile. Before passage of the EEO Act of 1972, the percentage of white men recruited hovered around the 85-percent mark. It gradually dropped to 60 percent and by 1980 averaged about 55 percent. The balance of women and minorities recruited through the mid-1970's are now reaching the "promotability window," and GAO could see a rise in their promotion rates to GS-13 and above.<sup>12</sup>

GAO instituted administrative changes in the competitive selection process to overcome kinks in the system and to foster affirmative action. In April 1980, the Comptroller General expressed his continuing disappointment in the slow progress being made in meeting goals for hiring and promoting women and minorities to GS-13 positions and above. To improve the situation, he established a 50-percent selection goal of women and minorities for these positions. He also asked the Director of Personnel to advertise GS-14 and GS-15 positions both within and outside the agency, to ensure applications by enough qualified women and minorities and to present the selecting official with two certificates of eligibility so that both GAO and non-GAO applicants may be considered. At the same time, in concert with a Government-wide hiring freeze, the Comptroller General put a ceiling on GAO staff levels and established a one-for-two replacement policy for auditor/evaluator and legal vacancies and

a one-for-two replacement policy for promotions in the GS-13 to GS-15 range.<sup>13</sup> Naturally enough, many men and women, minorities and nonminorities, saw these decisions as a reduction in their chances for advancement. Not only did GAO staff have fewer positions to compete for, but they had more applicants to compete against for GS-14 and GS-15 positions. Some women and minorities feared a stigma would be attached to their promotions as well—people would believe they had been promoted because of the goal rather than competence. Analysis of selections made between April and September 1980 showed that 36 percent went to women and minorities (20 white women and 12 minorities selected). Only two positions—both for specialists—were filled by applicants from outside GAO.

## **GAO's Equal Opportunity Profile In 1980.**

Available statistics show that in 1966 the 12.2 percent minorities employed by GAO were mostly in the GS-1 to GS-9 grade levels; 24 individuals were in grades GS-11 to GS-14; and, none were in grades GS-15 and above. In 1974, however, over 100 individuals were in grades GS-11 to GS-14 and 6 in GS-15's or above. By November 1980, over 400 minority individuals were in grades GS-11 to GS-14 and 14 had reached GS-15 or above. GAO's work force in November 1980 was composed of 59.6 percent white men, 20 percent white women, 7 percent minority men, and 13.4 percent minority women. Women and minorities were represented at all grade levels, especially through GS-12, though the percentage of minorities and women at GS-14 and above was still quite small. Figure 13-2 shows how the makeup of the total work force changed between 1966, 1974, and 1980; figure 13-3 shows the November 1980 work force.

In his last year as Comptroller General, Staats initiated additional actions to correct the imbalances. The recruiting efforts of the 1970's had paid off to the point where a number of women and minorities occupied all levels of the career ladder. But realizing that overcoming under representation at all levels requires many years of effort, the Office began a program in October 1980 to revise the 2- and 5-year hiring and promotion plans which had been established at Staats' direction in 1979. These plans are to be based on newly available labor market data and should provide a more precise basis for understanding and dealing with shortfalls among women and minorities that existed in grades GS-13 and up. The Office for Civil Rights, established in October 1980, is to direct this effort.

## **SENIOR EXECUTIVE SERVICE**

The Senior Executive Service, established in 1980, may provide another boost to achieving

**Figure 13-2**  
**General Accounting Office Analysis of GS Employees by Grade and Minority**

	JUNE 1966 MINORITIES: MALE AND FEMALE		JULY 1974 MINORITIES: MALE AND FEMALE		NOVEMBER 1980 MINORITIES: MALE AND FEMALE	
	NUMBER	PERCENT IN GRADE	NUMBER	PERCENT IN GRADE	NUMBER	PERCENT IN GRADE
GS-1	16	80.0	3	60.0	-	-
GS-2	37	57.8	16	64.0	6	46.2
GS-3	177	61.2	74	55.6	54	53.5
GS-4	134	46.3	170	56.6	103	52.0
GS-5	46	23.5	191	56.5	146	58.9
GS-6	12	11.5	100	49.0	115	51.1
GS-7	10	2.1	109	24.2	125	39.2
GS-8	8	5.1	11	14.8	15	34.9
GS-9	37	6.6	98	16.2	80	26.1
GS-10	-	-	-	-	2	25.0
GS-11	12	2.0	42	5.7	83	21.1
GS-12	8	1.4	30	4.1	221	18.6
GS-13	2	5	23	3.3	53	5.5
GS-14	2	7	7	1.3	31	4.6
GS-15	-	-	4	1.6	9	2.6
GS-16	-	-	-	-	-	-
GS-17	-	-	2	2.4	1	5.2
GS-18	-	-	-	-	4	-
TOTAL	501	12.2	880	17.1	1,048	20.5

**Figure 13-3**  
**General Accounting Office Analysis of Employees by Grade and Minority November 1980**

	WHITE MALE		WHITE FEMALE		MINORITY MALE		MINORITY FEMALE	
	NUMBER	PERCENT IN GRADE	NUMBER	PERCENT IN GRADE	NUMBER	PERCENT IN GRADE	NUMBER	PERCENT IN GRADE
GS-1	-	-	-	-	-	-	-	-
GS-2	1	7.7	6	46.2	1	7.7	5	38.5
GS-3	4	4.0	43	42.6	7	7.0	47	46.5
GS-4	13	6.6	82	41.4	10	5.1	93	47.0
GS-5	13	5.2	89	35.9	12	4.8	134	54.0
GS-6	5	2.2	105	46.7	2	0.9	113	50.2
GS-7	72	22.6	122	38.2	39	12.2	86	27.0
GS-8	1	2.3	27	62.8	1	2.3	14	32.6
GS-9	118	38.4	109	35.5	32	10.4	48	15.6
GS-10	1	12.5	5	62.5	-	-	2	25.0
GS-11	174	44.2	137	34.8	33	8.4	50	12.7
GS-12	808	67.8	162	13.6	147	12.3	74	6.2
GS-13	824	85.5	87	9.0	37	3.8	16	1.7
GS-14	612	91.0	30	4.5	27	4.0	4	0.6
GS-15	317	93.2	14	4.1	8	2.3	1	0.3
GS-16	90	92.8	2	2.1	4	4.1	1	1.0
GS-17								
EL	-	-	-	-	-	-	-	-
TOTAL	3,053	59.6	1,020	20.0	360	7.0	668	13.4

equal opportunity goals. The Comptroller General announced equal opportunity and affirmative action as one of five key results areas by which he would judge the performance of his top managers. He stated that activities in this area should "assure that every staff member has an equal opportunity to develop and use the abilities they have, to develop new skills and abilities, and to reach their individual aspirations in the work place."<sup>14</sup> GAO's top managers were to be responsible for activities to correct past inequities as well. The SES contracts should provide GAO's top managers with an added incentive for maintaining a healthy equal opportunity environment.

1. 42 U.S.C. 2000d (1964). Civil Rights Act.
2. David H. Rosenbloom, *Federal Equal Employment Opportunity, Politics and Public Personnel Administration* (New York: Praeger Publishers, 1977), chapters 3-4.
3. U.S. General Accounting Office, "Plan of Action for Implementation of Comptroller General's Program for Equal Employment Opportunity," Aug. 1, 1966
4. U.S. General Accounting Office, Functional Racism Program, Field Operations Division, "Participants Work Book" pp. 27-28.
5. "Work Book," pp. 29-30.
6. "Work Book," pp. 30-32.
7. "Work Book," p. 32.
8. Victor J. Christiansen and Nancy E. Wroe, "Upward Mobility: Fact and Fallacies," *The GAO Review*, (Summer 1979), pp. 61-65.
9. "Anti-Discrimination Efforts in the U.S. General Accounting Office," report to the Comptroller General, June 18, 1980.
10. *Ibid*
11. W. J. McCormick, Jr., Director, Organization and Management Planning Staff, Memorandum to Comptroller General and Deputy Comptroller General, Nov. 1978.
12. William E. Beusse, Special Assistant, Office of the Comptroller General, Memorandum to Assistant to the Comptroller General (Administration), 3 Mar 1980.
13. Comptroller General Staats, Memorandum to heads of divisions and offices, 1 Apr. 1980.
14. Comptroller General Staats, Memorandum to all GAO professional staff members GS-16 and above, 9 Apr. 1980

## Chapter 14

# Changes In The Regional Offices

The regional offices are one of GAO's most valuable resources for carrying out its mission. They provide a flexibility to go out and get a job done regardless of geographic location or subject matter. They are also one of GAO's most distinctive features; no other congressional support agency has a regional structure. They are a formidable component of the organization, totaling 15 in number, including about 20 suboffices, and employ about half the entire professional work force.

The regional offices' role in relation to headquarters changed over the years. From their beginnings as scattered onsite locations for auditing war contractors, they rapidly grew in responsibility and autonomy. Then, around the time Staats took office, Government operations increasingly became planned and programmed in Washington. In response to the change in Government and the Comptroller General's desire to perform broad-based multiagency reviews, certain GAO activities began to be centered more in headquarters and regional operations shifted gradually from an independent to a responsive mode. However, their capability to adapt to

changing organizational circumstances and to offer the kind of support needed as GAO expanded its activities remained crucial to the regions' well-being and GAO's continued success.

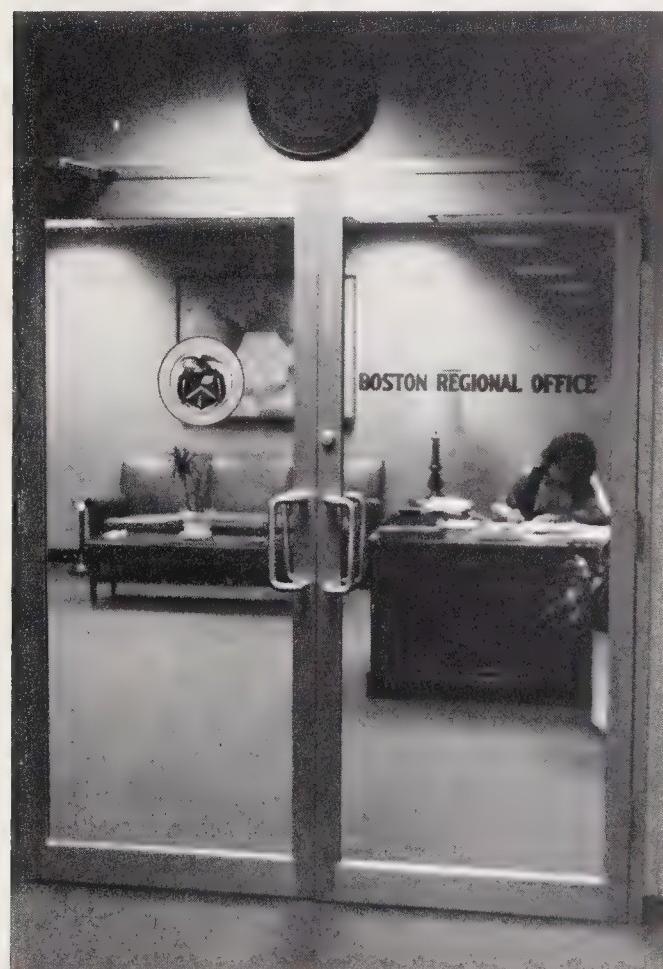
This chapter traces the regional offices' evolution from their earliest days to the year 1980.

## The Regional Offices Take Shape

GAO had conducted field activities since its earliest days. The Office of Investigations, established in 1922, was the first GAO group to establish a base of operations in the field. It was active in inspecting numerous Federal disbursing activities around the country for evidence of laxity, fraud, or other irregularity. In the 1930's auditors in the Audit Division's Soil Conservation Section were scattered around the country to do preaudits of agricultural benefit payments made under the New Deal's agricultural adjustment program. Field stations were located at convenient centers in the agricultural regions, and the vouchers were audited against the benefit contracts before the checks were issued by the Treasury. This decentralized arrangement proved highly efficient in that materials for answering questions were close at hand and, more importantly, headquarters was relieved of the burden of reviewing and then storing millions of vouchers.<sup>1</sup>

The trend toward decentralization accelerated sharply during World War II. The greatly increased number of payments to war materials contractors threatened to overwhelm the headquarters audit staff and create a formidable backlog of unaudited disbursing officers' accounts. To alleviate this condition, Comptroller General Lindsay Warren set up a War Contract Project Audit Section in 1942 to conduct onsite audits at contractor plants of payments for work performed under cost-plus-a-fixed-fee and similar-type contracts. This unit reported to the Audit Division and consisted of 5 (later 6) geographic zones with audit locations in about 30 cities. The number of audit locations at contractor plants peaked at 276 during the war. Once again the field structure expedited the resolution of questionable payments and the handling of large document volumes. Moreover, it permitted closer scrutiny of overhead and indirect costs than would have been possible in a centralized audit.

In 1947 the War Contract Project Audit Section was terminated and its responsibilities transferred to a new Field Audit Section of the Audit Division. Over the next several years the auditing of civilian payrolls and the operations and staff of the Soil Conservation Section were transferred to it as well.



THE BOSTON REGIONAL OFFICE is open for business

The direct ancestors of today's regional offices took shape with the appointment of the Assistant Director of Audits for Field Operations in a new Division of Audits. The zones were abolished and replaced by 23 regional audit offices in 1952. These offices were assigned responsibility for conducting "comprehensive audits" of agency operations to determine their legality, efficiency, and economy. Consistent with similar changes in headquarters, the field staff would no longer be restricted to reviewing individual transactions or agency financial systems; they were expected to examine all aspects of agency management from the highest levels on down. Naturally, the change in work imposed new skills requirements on the regional offices, and they spent the next several years trying to convert and to develop a staff competent in this new audit approach. Here they were at a disadvantage compared with headquarters, which already had 6 years of experience with the new approach in auditing the numerous Federal corporations.

In 1956 the Field Operations Division was established, and John E. Thornton, formerly assistant director for field operations in the Division of Audits, was named director. The new Division and its regional offices—now 19 in number as a result of mergers—were charged with perform-

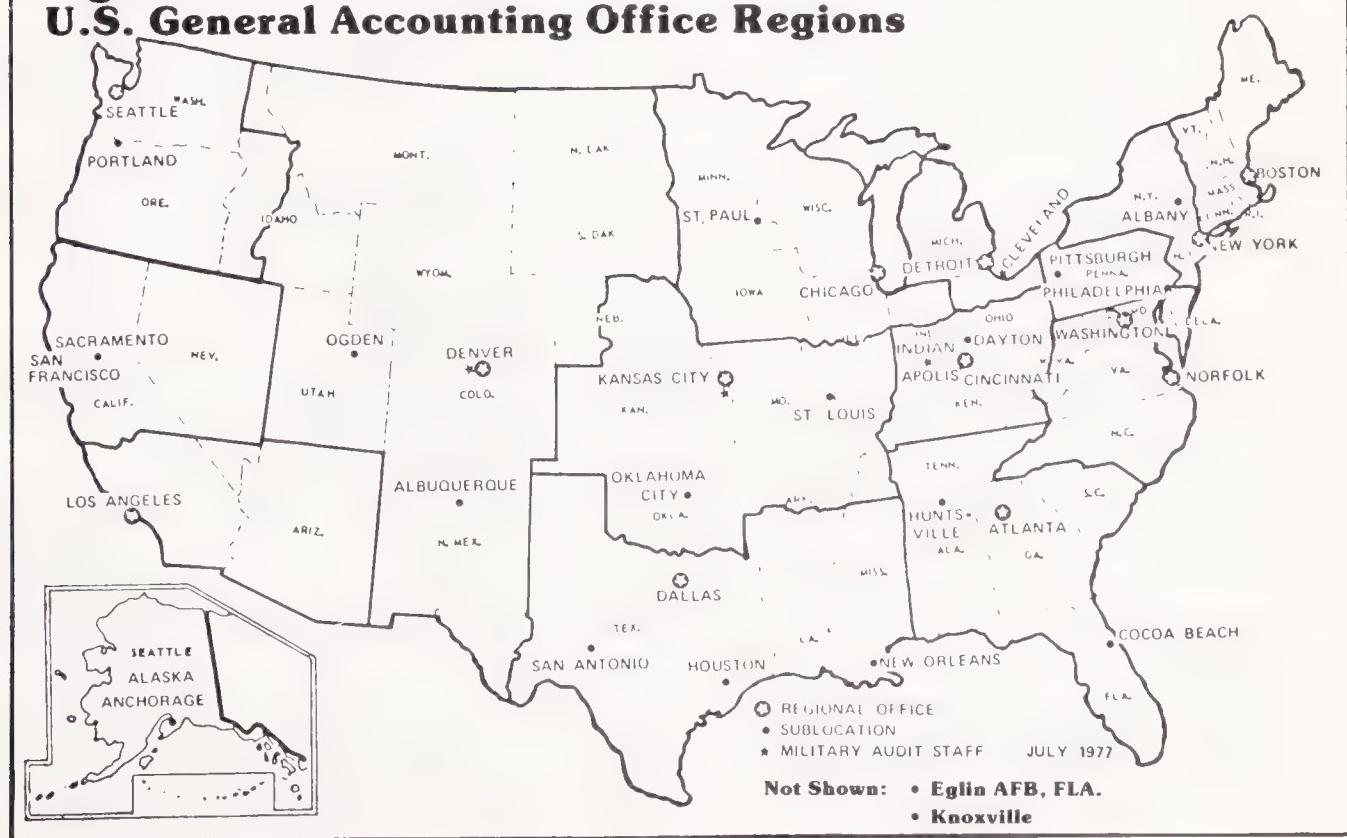
ing work assigned by the recently created Civil and Defense Accounting and Auditing Divisions. That same year the field staff of the Office of Investigations was absorbed by the regional offices. Although subsequent realignments eventually reduced the number of offices to 15 and regional roles and responsibilities were variously manipulated and redefined, the basic structure of Field Operations Division has remained essentially unchanged.<sup>2</sup>

## Regional Status And Contributions

Extensive decentralization was a fact of life in GAO, but the extent to which authority, responsibility, and accountability for GAO's work were decentralized was never so clear-cut. From the beginning, FOD was considered basically a service-oriented organization structured to provide the staff capability necessary to do the work requested by the headquarters divisions. As the "Comprehensive Audit Manual" stated:

*Regional offices \* \* \* are responsible for performing work in agencies in accordance with the plans, programs, or other instruc-*

**Figure 14-1**  
**U.S. General Accounting Office Regions**



tions issued by the associate or assistant director in charge of the operating groups concerned \* \* \*

Within a framework thus constrained, how were the regional offices to function? One approach was to treat them as personnel pools, or "body shops," whose primary virtue was their convenient location and whose primary purpose was to deploy staff to carry out audits programmed and directed by headquarters. Headquarters would then take the fruits of such labors and massage them into a report. An alternative approach was to make them responsible for effective completion of assignments, from their initiation to preparation of the final report, subject to overall direction by headquarters. This ap-

proach was more feasible in the days when the scope of GAO audits typically covered only a single location or installation. Multiagency and multiregion review, however, required coordination with both headquarters and other regions. Throughout most of FOD's history, the regional offices' relationships with headquarters varied between these two poles, but the trend has necessarily been in the direction of centralized control and nearly always with the headquarters divisions having the final say.

Despite the variations, certain features of the relationship remained constant—dual lines of authority, split but not explicitly defined responsibilities, and only indirect accountability by FOD for the final product. Gradually GAO realized that these patterns had to be changed if the head-

## The Washington Regional Office

The Washington regional office (WRO), GAO's fastest growing regional office, has many unique features which set it apart from the 14 other regional offices. It is the only office that must function simultaneously in both the regional and headquarters environments. It does not strongly identify with the geographical area it serves, as other regions do, since it shares this "turf" with headquarters staff. In many instances, staff have more contact with headquarters staff than with fellow WRO'ers.

The need for establishing a regional office in Washington, D.C., was identified in the early 1960's. There was growing concern, particularly in the Defense Division, that Government contractors and installations in the area were not receiving adequate audit coverage. The Defense Division lobbied strongly for the creation of a centralized regional audit office. The Civil Division, however, was not as enthusiastic about a Washington regional office. Its director, A. T. Samuelson, questioned the wisdom of dividing responsibility for civil agency audit work. He felt that a separate regional office would not substantially decrease his division's workload.

Despite the controversy, WRO was established in 1964 with Donald Scantlebury as its first regional manager to perform civil and defense audits, with emphasis on the latter. His first priority was to build a well-balanced staff. His initial cadre of auditors came from other field offices, headquarters, and the then recently closed Marine Corps Finance Center. Since most were payroll and voucher auditors, Scantlebury sought to diversify and upgrade his staff by recruiting personnel, primarily accountants, who were better equipped to handle varied audit responsibilities.

WRO's first location in Rosslyn, Virginia, was less than ideal. The roof leaked when it rained and buckets had to be strategically situated to catch the water. The place did have the advantage, however, of providing WRO with a psychological as well as a physical separation from headquarters. This allowed the staff to establish its own distinct identity. In 1968 WRO moved to larger, more comfortable quarters in Falls Church, Virginia.

Scantlebury established a troika organization focused around the three assistant regional managers. Each was made responsible for a primary function: job planning, job execution, or report review. A primary reason for this organization was to "turn out an acceptable finished (audit) product," one that headquarters could accept without a great deal of rewriting.

Although initially WRO had only Navy work to do, its workload soon increased, and Scantlebury's managerial problems revolved around stretching his resources to meet the demands. When GAO deemphasized defense contract work in the wake of the Holifield hearings, WRO shifted gears and began moving into other areas of auditing. In particular, it assumed a more active role in civil work. When Staats took office WRO became heavily involved in work which emphasized Government-wide issue areas and program effectiveness.

Hyman Krieger, a GAO veteran since 1946, became WRO's second manager in 1971. Shortly thereafter, the 1972 reorganization created six new operating divisions, each with responsibilities for Government-wide programs and functions. The number of divisions eventually reached 10, with the net effect of broadening the scope of WRO's audit responsibility.

quarters/regions duumvirate was to remain a workable way of doing business.

Each regional office had its own management structure with hierarchical levels of review and supervision through which products flowed on their way out of the organization. The regional manager was responsible for the overall quality of the staff's technical performance as well as for the "people management" functions of staff recruiting, training, and development. His principal efforts often were devoted to the technical operations, but many regional managers also took a strong interest in their staffs' well-being.

The audit managers in the regions were responsible for overall supervision and control of several assignments. While they generally did not perform detailed audit work, they were expected

to acquire a sound working knowledge of the activities under review so they could serve as both supervisors and technical advisors. Their responsibilities on given assignments included initial planning or interpreting the headquarters work plan, job execution, on-the-job training and staff development, and regional review of the workpapers and/or draft reports. Although they were primarily concerned with finite assignments, they were also responsible for any administrative, recruiting, training, or other functions the regional manager might assign to them.

Below the audit managers were the site seniors, who performed onsite supervision and control of assignments. Their responsibilities and duties were basically the same as those of the audit managers, except that they (1) normally

## **The Washington Regional Office—Continued**

*The divisions welcomed the opportunity to work with WRO because it represented a neutral third party that transcended organizational lines.*

Krieger took several steps to meet the increased demands placed on the region. One was to recruit more auditors whose backgrounds and interests were compatible with WRO's ever widening range of activities. WRO's staff size more than doubled from 1964 to 1972, and continued to grow in subsequent years. He also encouraged staff growth and development. Many of the staff management functions were spread out among staff members as auxiliary duties with committees created to carry out these functions. A strong support system was created, which relieved professionals of much administrative work.

David Sorando became WRO's third manager in 1975. Satisfied with WRO's workload mix and level of effort, he made some internal changes. Roles within the organization were redefined and duties were more precisely delegated. The strong technical role of the audit manager, which had become diluted with many auxiliary responsibilities, was reestablished. Staff management activities, such as appraisal, promotion, and counseling, had been dispersed among committees. Sorando abolished these committees and centralized their activities in designated senior-level staff.

WRO derives many benefits from its strategic location. It often becomes involved in the planning and general coordination of audit jobs. WRO personnel are often assigned to congressional committee staffs and work closely with them in various assignments. In 1980, 47 percent of WRO's work was done in response to congressional requests—the highest percentage of any regional office. While other regions may concentrate on only a few issue areas, WRO works regularly in every issue area represented by the divisions and conducts internal audit work as well. A new staff-year allocation system ensures that WRO can respond equitably to the needs of all the divisions.

The wide range of WRO work has made it a good place for new auditors to gain general experience in many areas and specialized experience in highly technical areas, such as ADP auditing. The opportunities for WRO auditors to develop professionally are well documented. In the last 3 years, WRO, whose staff members constitute 11 percent of FOD's total staff, has accounted for 22 percent of all FOD promotions.

WRO is a growing region because of GAO's expanding role and the substantial increase in congressional requests. It has, in fact, become the largest regional office. Fiscal year 1980 marked WRO's most active recruiting effort to date: over 100 new staff members came on board.

WRO does not operate in a vacuum. Because of its unique situation with respect to headquarters, it guards its independence vigilantly and has consistently opposed any effort to make it a mere "body shop." This has remained an underlying concern, particularly in light of WRO's relocation from its suburban Virginia office to the headquarters building in 1978. WRO has maintained its integrity intact, however, and continues to function effectively as a separate regional entity.

had only one assignment and so supervised the other assigned staff full time and (2) were themselves responsible for specific segments of the work program.<sup>3</sup>

The regional offices functioned in the 1950's and 1960's as relatively autonomous units, due both to the latitude permitted by FOD Director Thornton and the patriarchal character of some of the early managers. These managers were a formidable group indeed. Variously described as "theory X," autocratic, and product- rather than people-oriented, they demanded dedication, discipline, and high-quality results from their staffs. They were notable also for their longevity, some of them staying in one place as managers for two decades. The regional offices were fairly insulated from each other and from headquarters; for the limited interoffice communication that was exchanged, the regional managers typically preferred to be the sole contact points. They also tended to get personally involved in all jobs underway in the regions. The offices were small enough then to permit this hands-on control.

In the late 1960's, due to the expansion of regional staffs and responsibilities, assistant regional manager (ARM) positions were added to the regional hierarchy. Their role was generally to assist the regional managers in carrying out their many duties. For the most part they were involved in job management and frequently functioned as report reviewers for the regional managers.

Even in the 1960's, the regional offices were still doing some account settlement work and auditing of civilian payrolls, but they were becoming more and more proficient in comprehensive auditing. Many offices also became expert in defense contract pricing reviews. Regional staff had audited cost-reimbursement type contracts since World War II, but the first review of negotiated fixed-price defense contracts was initiated by the Kansas City Regional Office at a General Motors plant in 1955. Thereafter, the regional offices increased the number of staff assigned to contractor plants and major military installations for defense contract work. Attracted by the opportunity to identify huge monetary savings, some of the most capable regional staff devoted themselves to this work. The expertise they developed, coupled with their strategic location, considerably enhanced the stature and influence of FOD. These offices exercised much autonomy in programming the contract audits.<sup>4</sup>

During this period many close working relationships developed between given staffs at headquarters and in the field. As headquarters staff identified people in the field they could work well with, they tended to seek them out job after job. Headquarters staff also found they could do more jobs by delegating more responsibility to their counterparts in the field. As a result, the regional responsibility for the reporting end of assignments increased. Instead of just sending

the workpapers and compilations of facts into headquarters after completing audits, the regions began fashioning their material into draft reports. However, there were instances when the field assumed more job responsibility, although lacking the close relationship with headquarters. As a result, a region would draft a report relying on its own perspective with little inkling of how Washington viewed the basic message. Then each regional office level rewrote the report according to its ideas of what Washington wanted. The result was a great deal of nonproductive effort.

The regional offices had no responsibility for the final product. The last the offices saw of many draft reports was when they went out the door to Washington. The final reports that emerged little resembled the regional drafts. Those drafts were commonly turned over to Washington site seniors for rewriting and then were further reviewed and massaged by the headquarters review chain. If the regional drafts were viewed as particularly unsatisfactory, they wound up on some reviewer's desk collecting dust or were just quietly disposed of. Those drafts that were returned to the regions for rewriting sometimes were accompanied by no more specific feedback than "I've got serious problems with this." Regional involvement in handling agency comments and in final report processing was almost nil.

The upshot was that even though the regions gained responsibility for producing draft reports, they were rarely held accountable for them. They had little incentive to become highly proficient at report drafting either, because it seemed pointless to fuss too much with a product that was going to be revised extensively by headquarters anyway.<sup>5</sup>

Over time FOD came to share more of the work supervision with headquarters. Beginning in the late 1950's, the practice grew on multiregional assignments of allowing one region to act as "lead" region and supervise the other participating regional offices. Such an arrangement was apparently originally adopted for convenience and efficiency rather than for its attractiveness as a device for delegating significant responsibility to the regions. Nonetheless it inevitably entailed some "letting go" by the headquarters divisions, and it helped satisfy the regions' need for more substantive involvement in the work. The Defense Division embraced the concept more eagerly and allowed lead regions more control than did the Civil Division. Neither division, however, parceled out much more reporting responsibility than preparing the initial draft, and the relative haziness of the parameters of what could legitimately be delegated and under what circumstances was a source of discomfort for both headquarters and the field.

Thus over the years the "service-oriented" FOD had carved out a niche for itself in various

phases of job management—programming, supervising, executing the audit, and reporting—usually by stepping in where there was a need. Its job management responsibilities were not so much formally delegated by the divisions as they were relinquished by them for the sake of expediency. Ultimate control and accountability were retained by headquarters but otherwise FOD's relationship to headquarters varied depending on the individual offices and divisions involved.

## Frustrations And Opportunities

The role and responsibilities of the regional offices continued to evolve during these 15 years. All the developments and changes discussed in earlier chapters could not help affecting the regions as well as headquarters. The basic organization structure founded on a separate Field Operations Division remained the same, and the regions' geographic boundaries changed little. However, in several significant areas, the regions' role and responsibilities vis-a-vis headquarters' underwent a shift.

Increasingly during this period, GAO expanded and strengthened its ties with the Congress. This involved, among other things, more active liaison and more substantive participation in hearings. Although many headquarters groups tried to include the regions in their congressional contacts, the regions' participation was necessarily limited by the simple fact of geographical distance.

Also, beginning in the mid-1960's, the regions' role in job planning began to change. The cutback in audits of individual defense contracts

following the Holifield hearings combined with the Comptroller General's emphasis on broader based, multiagency reviews and headquarters-based program planning made the headquarters divisions the unquestioned arbiters of the scope and direction of GAO's work. Regional office participation in the planning process became relatively peripheral, being limited usually to suggesting individual jobs, attending issue-area or other planning conferences, and commenting on the program plans developed by the divisions. By 1980, however, efforts were made to strengthen the regions' planning role, carrying out Staats' constant interest in obtaining front-end regional input to the planning process.

## CHANGES IN THE REGIONS' ROLE

GAO's shift from preoccupation with agency management deficiencies was further underscored in 1972 when the Civil and Defense Divisions were replaced by six new audit divisions organized along broad program and functional lines. A related phenomenon was the growth in massive social programs and a concomitant demand by policymakers for evaluations of their effectiveness. Although these social programs were carried out in the States, cities, and other localities throughout the country, their audit and evaluation required headquarters programming.<sup>6</sup>

There was still plenty of opportunity, however, for the regions to contribute significantly to the execution of GAO's evaluation work. Their performance in poverty program audits in the late 1960's—GAO's "baptism by fire" in evaluation—was noteworthy for the level of effort expended, the adaptability shown by the staff in



**WASHINGTON REGIONAL OFFICE STAFF** brief division staff on job progress

performing a demanding new type of work within a tight time frame, and close coordination with headquarters. The memory of the extent to which this venture taxed regional resources and spirit is still very much alive today. Every regional office got involved to some extent, and in some offices, such as Chicago and Detroit, nearly every staff member participated. The regions have participated in many other program results reviews throughout the years. Nonetheless one observer of GAO warned:

*As the GAO places greater emphasis upon the review of complete governmental programs, the dominance of headquarters vis-a-vis the field may become even greater unless much more initiative and creativity are shown in developing more vital roles for field units. It is possible that the expanding application of the planning, programming, and budgeting approach, as well as other managerial developments within the Federal Government, may result in such centralized program planning and control at the Washington levels of the respective Government agencies that the headquarters staff of the GAO will be in an even more strategic position to assert its primacy in the formulation and execution of the Office's audit.<sup>7</sup>*

#### **THE LEAD REGION CONCEPT**

Staats has actively supported the regional offices. Shortly after his appointment, Staats made a round of visits to the regional offices—a gesture which boosted morale. Thereafter he consistently urged the delegation of more responsibility to the regional offices. In November 1967, he issued a memorandum endorsing the lead region concept and establishing guidelines for its use. The potential benefits of the concept were cited as follows:

- Reducing the workload on the Washington supervisory staff.
- More effectively utilizing regional office staff.
- Enhancing staff development by placing greater responsibility on regional office staff.
- Expediting the preparation and clearance of reports.<sup>8</sup>

This concept was, of course, not new; it was one of those ad hoc FOD/headquarters arrangements that had developed and flourished without ever being institutionalized or delimited. There had been the problem of making one regional office the "straw boss" for a job without headquarters relinquishing sufficient authority and responsibility to carry out this role. However, the memorandum defined the central problem as the lack of "a common understanding as to the pro-

cedure for deciding upon lead region arrangements" and prescribed a "fix" in the form of a set of ground rules. Unfortunately this reliance on definitions, clarifications, and rule formulations—typical of GAO—did little to solve the problem but did much to constrain the regional offices and hamper their effectiveness. Flexibility, after all, was a prime regional *raison d'être*. Then too, perhaps confusion and conflict could never be ultimately eradicated as long as the agency was structured around two organizations in tandem.

Problems with the lead region concept were acknowledged in 1971 when the Committee for Improvement of Report Processing and Review Procedures, detouring from its main focus on expediting issuance of reports, pointed out that the lead region concept was not working as intended. The committee said regional managers were not being given full responsibility for carrying out lead region assignments and Washington directors were not willing to accept their products. The committee echoed the 1967 memorandum's focus on the lack of clear delegation of authority and responsibility. However, what the committee and others in GAO wanting to expand regional office responsibility were up against was a deep institutional bias known to GAO staff as the "we/they syndrome"—the tendency for the regions and headquarters to blame each other when problems arose. This could not be overcome by means of clarifying memorandums, written agreements, and guidelines. The nature of this problem came through when the committee pleaded the regions' case in these terms:

*The regional managers and their staffs are no less intelligent and capable than the Washington directorate and their staffs. It stands to reason that, if full authority and responsibility is delegated to a regional manager on a particular lead-region assignment, he will carry out that assignment in the best way he possibly can.<sup>9</sup>*

Perhaps what most stood in the way of delegating more responsibility to the field was another long-standing GAO concept, cited in the 1967 guidelines:

*The basic authority and responsibility for the assignment involving the application of the lead region concept, as well as others, rests with the Associate Director. This is a necessary organizational principle \* \* \*<sup>10</sup>*

As a result of the Committee's comments on the lead region concept, a Task Force on Washington-Field Relationships was established in 1971. The task force recommended that the term "lead region" no longer be used and that a written understanding be required for each assign-



**STAATS' EARLY VISITS** to the regional offices

- Lawrence Radiation Laboratory, Berkeley, California, March 1967
- Boston Naval Shipyard, September 1966
- Detroit postal facility, May 1967

ment identifying the job management responsibilities.<sup>11</sup> The assumption seemed to be that trust and cooperation between the regions and headquarters could finally be achieved if only there were enough documentation backing it up. Beginning in 1972, therefore, the Job Management Agreement became part of the required paperwork for assignments requiring participation by more than one organizational group. This was a form which documented the division of responsibilities between a headquarters operating group and a field office and between field offices.<sup>12</sup>

The 1975 Task Force on Project Management (see ch. 11) felt obliged to deal with the topic of regional offices because of criticism that project management was "just another gimmick to 'get around' the system we've created and that by pushing this concept the Office is not facing up to more substantive, underlying issues \* \* \*."<sup>13</sup> One of the key issues which kept surfacing during the task force's research was the question of whether more assignment respon-

sibility could and should be delegated to the regions. The task force found that the regions were shouldering many job responsibilities. Although the term "lead region" was no longer officially sanctioned, the concept survived. Of the multiregional assignments ongoing as of June 30, 1975, regions had responsibility for supervising other regions on more than half of them. The regions also were preparing the initial draft reports on 75 percent of all the jobs they were involved in. But since they did not have the crucial responsibility for a quality end product, their capabilities were not fully developed, their talents were underused, and their job satisfaction was limited. The task force suggested, therefore, that GAO experiment with more total delegation of certain jobs. Of course, project management provided an opportunity to give more responsibility to individuals in the regions but did not delegate anything additional to the regional offices per se. The implementation of this concept in GAO was extremely limited, however.

## Anchorage—A Closeup Look

Anchorage, Alaska, is GAO's most out-of-the-way sublocation. Staffed by 10 hearty individuals—all of whom volunteer for this assignment—this office has been involved in a number of areas which can best be described as uniquely Alaskan. Opened and closed periodically in the past two decades, the Anchorage suboffice gained permanence in 1974 in response to congressional interest in the Alaska pipeline. This office has maintained an ongoing review of the pipeline, but has expanded its areas of responsibility to include Alaskan tourism, the Outer Continental Shelf, and the Alaskan Native Claims Settlement Act.

Recently, two members of the staff were directed to inventory an abandoned Air Force communications site, White Alice, some 300 miles west of Anchorage. Deserted since the late 1970's, the site was rendered obsolete by the advent of sophisticated microwave and satellite communications equipment. Undaunted by the remoteness of the location, Ronald Kelso, auditor-in-charge, accompanied by his associate, Jim Leonard, commuted to the site by first boarding a commercial airplane in Anchorage for a 200-mile flight to the small native village of Illiamna. From there a Piper Cub carried them to the vacant Air Force landing strip, at the base of Big Mountain. A number of forlorn-looking buildings were scattered around the area, one of which became home for Kelso and Leonard during the next 5 days. From this location, the men could see the communications site, perched 5 miles above, at the mountain's peak. This caused them some concern as they envisioned the daily climb to and from the mountain. Fortunately, Kelso and Leonard found an abandoned military vehicle in good operating condition and two hundred 35-gallon drums of gasoline. Kelso observed that the airstrip site was a little spooky, just like a ghost town. It seemed, he continued, that the Air Force had been there one day, then left the next, leaving everything behind.

The lack of modern conveniences (no running water or electricity) did not faze the two men. They carried ample provisions, including food, flashlights, and a propane stove. Each afternoon, after conducting the inventory, they went to a nearby lake and caught salmon and trout for dinner. This was a relaxing and an enjoyable way to unwind from the mundane tasks of the day.

Along with their usual camping equipment, Kelso and Leonard packed two .44 Magnum revolvers and a shotgun in case they encountered grizzly bears, which are common in the Alaskan wilderness. It is not unusual, Kelso indicated, to find one wandering around Anchorage. An avid outdoorsman, Kelso knew full well that grizzlies like to set up residence in abandoned buildings. Much to the auditors' relief, none were sighted, although bear tracks were found close to the site.

This episode illustrates the type of work being done in Alaska. The Anchorage team, rugged GAO individualists, confronts challenges uncommon in their profession. They are dedicated people who must, from time to time, take physical risks in pursuit of their duties. The work of GAO thus encompasses many challenges in many climes.

A few years later yet another voice was added to the chorus of those suggesting that Washington/regional relationships needed improvement. A Community and Economic Development Division Task Force on Washington/Field Relations reported in 1978 that the problem was rooted in GAO's dual organization structure. The task force members saw headquarters and the regions operating as two separate organizations with separate lines of authority. In addition, they said the regions were only indirectly held accountable for their performance. Their report suggested forming temporary Washington/regional audit teams as a preferred solution, but it went as far as to raise the possibility of abolishing FOD as an entity while retaining a set of geographically separated offices as an alternative.<sup>14</sup>

### **RESPONSIBILITY FOR FINANCIAL AUDITS**

The regions gained a slice of autonomy when they were delegated authority for conducting financial audits of 18 Government activities and corporations as part of the 1972 reorganization. The entities for which FOD had full audit and reporting authority included banking activities, such as the Federal Deposit Insurance Corporation; the military finance centers; and Government corporations, such as the Panama Canal Company and the St. Lawrence Seaway Development Corporation. At last FOD had work for which it was totally responsible; it programmed and executed the work and put out the final product.

Much of this work was handled by the Washington regional office. FOD welcomed this opportunity—so much so that it tended to give the financial audits priority over work assigned to it by the divisions. The divisions resented taking a back seat, and FOD itself eventually concluded that there was no valid reason for WRO to be responsible for auditing activities which fell within issue areas assigned to other divisions. The banking activities, for example, logically belonged to the General Government Division, which was responsible for the issue area "Federal Oversight of Financial Institutions." Therefore, FOD Director Stewart D. McElyea—believing there was enough split responsibility in GAO already—engineered transfer of this audit responsibility back to the divisions. In 1980, the responsibility for the financial audits was consolidated in the Accounting and Financial Management Division.

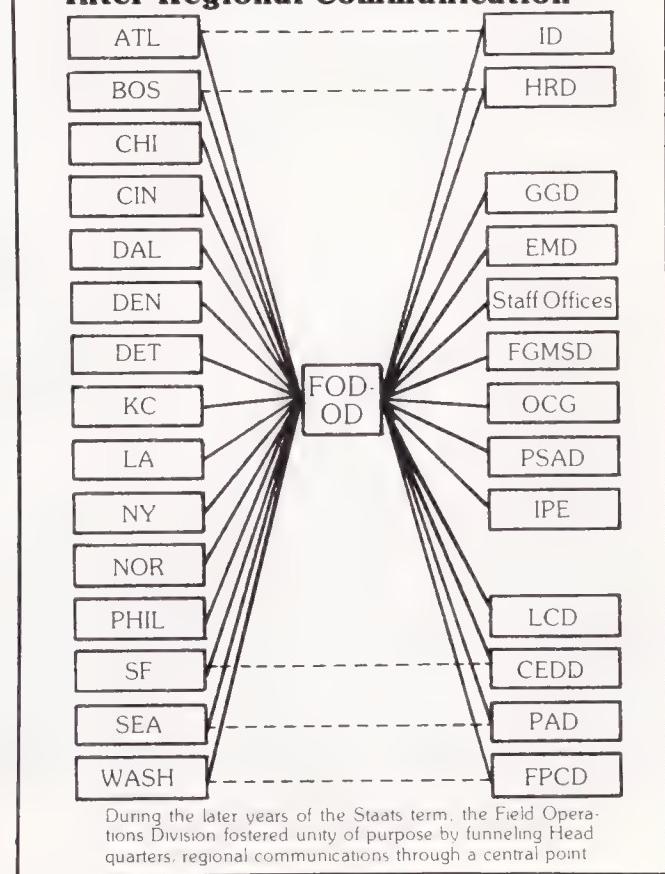
### **Unity Of Purpose**

Recognizing the limitations and frustrations inherent in its role, FOD began in the early 1970's to strengthen itself as an organization and forge the regional offices into a more united entity. This movement, begun by Thornton and actively pursued by his successor Stewart McElyea from 1976 to 1979, continued to the end of Comptroller General Staats' term under Frank Fee. Considering the autonomy enjoyed by the regions for so many years, forging this unity is a long-term project.

One of the first steps FOD took was to institute a rotation policy for regional managers. After nearly 20 years of existence, some regional offices were still headed by their first and only regional managers. Richard Madison had been Atlanta regional manager since 1956 and Chief of the Southeast Zone for 4 years before that; Alfred M. Clavelli had been in San Francisco since 1954; and James H. Rogers had been in Philadelphia since 1956. In the minds of many, these long tenures fostered stagnation, and it was time for a fresh start. So FOD made it a policy that the regional managers periodically would have to change places and that the maximum amount of time they could stay in any one region would be 8 years. Some regional managers retired rather than face the prospect of moving. The 8-year limit is more of a standard, however, than a hard-and-fast rule, and quality-of-life factors are carefully considered before a rotation decision is finalized. Rotation was also encouraged for those promoted to the position of assistant regional manager but was not a requirement.

In 1975 Thornton approved implementation of an FOD-wide Automated Management Data System (AMDS). McElyea, who was then Deputy Director, had strongly supported development of AMDS as a tool to improve individual and collective understanding of FOD performance and to improve FOD accountability for its resources. FOD had been using the same management information system since 1952, and sometimes it seemed as though the data it was

**Figure 14-2**  
**Inter-Regional Communication**



capable of producing was nearly as old as the system itself. In contrast, AMDS was very close to being a real-time system. Several regional offices contributed to its development, and the Atlanta office designed a plan for its automation. Initially it was oriented toward job data, but gradually personnel and administrative records were incorporated into it as well. The advantages of timeliness and integration attracted the rest of GAO to AMDS, and by 1978 it had evolved into a GAO-wide information system. Applying the system GAO-wide highlighted system limitations, however, and a more sophisticated system was installed in 1979. (See ch. 16.)

Stewart McElyea took over as Director in January 1976. This is what he envisioned for FOD:

*Our basic goal is to establish a more businesslike atmosphere to Field Operations Division Management. We are going to establish FOD plans, systems for measuring and providing feedback on performance against these plans and a semblance of Divisional unity. In short, we are going to begin managing, acting, and looking like the \$75 million a year business that we are.*

*FOD's long range objective is to operate as a single cohesive unit through the 15 regional offices \* \* \*<sup>15</sup>*

One of McElyea's early initiatives was to establish an Administrative Officer in each regional office to oversee and coordinate the administrative workload. This relieved auditors of many administrative tasks that had previously reduced their productivity and made such tasks the responsibility, as was proper, of lower paid staff. Another innovation was the advent of periodic area meetings where regional managers and assistant regional managers from a few regions got together for a few days to discuss issues of common interest.

McElyea's management style was more authoritarian than that of his predecessor. He believed conforming with the letter and spirit of all GAO and FOD policies was an essential first standard for his subordinates to follow, regardless of their personal preferences. This posture, not an uncommon one among longtime GAO managers, had been shared by many of the original regional managers. It was when this approach was coupled with his interpretation of the team concept that he had his greatest impact on FOD.

### **Traumatic Transformation Under Teams**

The 1977 Task Force on Improving GAO Effectiveness identified several barriers to improved operations which involved both the re-



**DALLAS' ADMINISTRATIVE OFFICER** relieves her coworkers of many routine, yet timeconsuming duties

gional offices and headquarters units—unnecessary multiple levels of authority and review, draft reports going back and forth between levels of management, and “the way field/headquarters staffs relate to one another in performing the work.”<sup>16</sup> What the task force pointed out was no news because it had all been said before in different ways by previous task forces and various observers, official and unofficial. But this time the Comptroller General’s response was to mandate what he hoped would bring about basic change in this relationship by adopting a dedicated project team approach as the normal way of doing business.

A team of regional managers, after consulting with all the other managers, drafted a plan for FOD’s implementation of this directive. At several problem-solving sessions, FOD management and all the regional managers worked with this document to identify the changes that would be necessary within FOD to successfully operate under teams. The major change emerging from this process in January 1978 was an understanding that, on future assignments, regional management would be responsible for the technical aspects of the work only when specifically requested by the responsible operating division. Regional management’s primary responsibility would be “resource management,” a term loosely defined as encompassing all aspects of staff acquisition, training, making assignments, assuring proper use and development of staff, and recognizing and rewarding staff for their accomplishments. To many managers this represented a rather dramatic change whose consequences were unknown.

The plan was strongly endorsed by McElyea, however. He believed that regional management should concentrate on resource management to avoid duplicating operating division and team management responsibilities and to facilitate FOD’s adjustment to the new team approach. He was strongly in favor of the clear lines of authority, responsibility, and accountability which such an arrangement appeared to foster.

The plan was outlined for members of the GAO Task Force on Improving GAO Effectiveness that same month and they found it generally satisfactory.<sup>17</sup>

Some confusion still remained. FOD soon became aware that many GAO staff members believed regional management had been cut off from technical responsibilities. This was probably due, in part, to the fact that FOD’s implementation strategy had been couched mainly in terms of what regional management would not be doing. In the months that followed, FOD initiated efforts to draw a clearer distinction between responsibility to *direct* jobs—which regional management would no longer do unless asked—and the responsibility to interact with the teams doing the jobs—which it was essential that they do to fulfill their resource management role. FOD

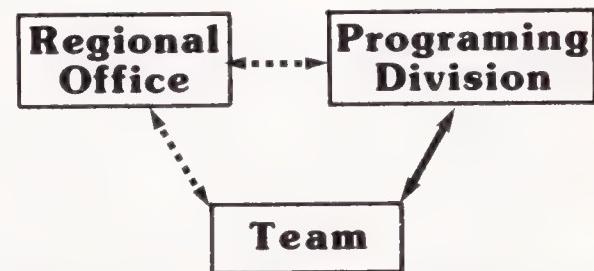
adopted the stance that a certain amount of technical involvement was necessary to properly perform resource management. For example, this involvement was necessary to facilitate intelligent decisions regarding the need for and commitment of the right resources to an assignment.

Once resources had been committed, regional management had to monitor their use by keeping abreast of significant changes in job scope and complexity and of whether staff members were being used in accordance with the Job Management Agreement. It was also imperative that regional management be aware of staff performance on jobs so it could fulfill its responsibilities for staff training and development, assignments, promotions, and awards.

As regional management’s role under teams further evolved, FOD focused on how it could continue to maintain the overall quality of the work of each region. It further defined the role to include offering technical advice to teams; assisting, when requested, in resolving problems between team leaders and team directors; and bringing technical problems to the attention of team leaders and division management. Thus, regional management would function, in a sense, as a “cop on the beat.”<sup>18</sup>

Pressure mounted on FOD nonetheless to demonstrate that regional management’s role was, in fact, substantive. The Comptroller General let it be known that he wanted the technical aspects of the role enhanced and emphasized to ensure that the expertise of the regional managers and assistant regional managers was fully tapped and to further his longtime objective of delegating greater responsibility to the regional offices. At the same time Personnel cited difficulties in developing new job descriptions for regional management positions because the significance and worth of their contribution to GAO’s work was not sufficiently clear. A more substantial basis for the desired classification levels was needed to satisfy Office of Personnel Management standards.

**Figure 14-3  
Operating Under Teams**



There was a direct line of authority between the team and Headquarters programming division. The lines between the team and regional office and between the regional office and Headquarters were less clear.

In response to these concerns, McElyea, Clerio Pin, and Robert F. Keller executed an agreement in January 1979 which provided that assistant regional managers and GS-14's in regional management positions would be expected to devote a substantial amount of time to the technical aspects of GAO's work. These included serving as team directors or team leaders, participating in strategic and project planning, serving as the regional focal point for issue areas, and providing the regional link to and oversight of the work of regional staff assigned to jobs. In addition, divisions would be directed to use assistant regional managers as team directors and team leaders and to use regional managers as team directors when appropriate.<sup>19</sup> Ultimately the division directors made a commitment to get 10 percent of their team directors from FOD, and FOD established an objective of having all assistant regional managers function continuously as team directors on at least one job.

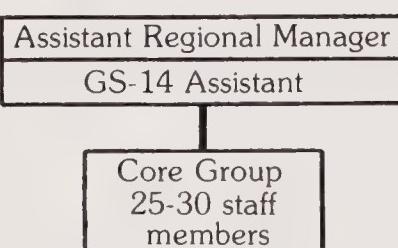
Resource management, the other major aspect of regional management's role, was not new to the regions. They had always been responsible for the major staff-related functions newly grouped under that term. The team concept, however, made FOD more sensitive to the importance of these functions. Staff members would be assigned to team leaders outside their regional offices for long periods, and thus their career development needs could easily be neglected. To ensure that regional management maintained knowledge about staff capabilities and career expectations, FOD established "focal points," or managers responsible for the long-term development of mid- and lower-level staff. They monitored the use and performance of staff members, discussed these topics with them, and gave them periodic career counseling. Assistant regional managers typically functioned as the focal points. They were assisted by staff managers, professional development coordinators, and/or training coordinators. Some segment of the regional of-

fice staff was assigned to each focal point, based on issue areas of interest, personal preference, or another grouping device.

With a great deal of thought and effort, regional management's multifaceted role evolved to the point where it was reasonably well defined and clearly understood within FOD. This did not mean it was popular with everyone. Some maintained that separation of job management from responsibility for the overall quality of work and for resource management was totally unworkable, but the new way of doing business was a fact of life that was gradually becoming accepted. However, headquarters staff, to a great extent, neither understood the role nor accepted it as worthwhile. "Resource management" was hard for them to appreciate because (1) they had always taken for granted the personnel, travel, and similar support services available at a central location in the headquarters building, and (2) GAO has traditionally valued most those activities which contribute directly to the Office end products. When regional management interacted with teams to provide advice, raise issues, or to get information necessary to fulfill their role, it was often viewed as interloping or an unwelcome intrusion. Division directors balked at using regional team directors and failed to reach the 10-percent goal. Regional management resented the fact that some in headquarters viewed them as not being in a position to have the knowledge base essential for team directors or to productively and legitimately monitor team progress.

Among the regional staff most disenchanted with the conversion to teams were the GS-14's. Formerly they had been audit managers, with responsibility for several jobs; now they were relegated to running only one. This development, coupled with their limited opportunities to interact on jobs aside from the ones they were assigned to, led them to believe that their technical expertise and staff development capabilities were being underused. FOD tried to expand the management opportunities available to the 14's by using them as staff managers to aid assistant regional managers in performing resource management duties or as issue area coordinators for regional input to program planning. But, to the end, most remained bitter over the change.

**Figure 14-4**  
**Example of Resource Management Focal Point**



#### Activities

- Staff Development
- Performance Evaluation
- Training Needs Assessment
- Career Counseling
- Promotability Assessment

#### The Job Scheduling And Staffing System And Regional Input To Program Planning

FOD was also making a major effort to upgrade its management and to operate more uniformly and efficiently by implementing improvements in job scheduling and staffing. Since the establishment of FOD, the system of deciding what work regional offices would do had been basically ad hoc. The operating divisions competing for regional staff independently programmed work into the different regional offices,

and the regional offices independently accepted and scheduled such work. The regional managers used varied and diverse criteria in deciding what work should be done but, basically, informal commitments, personal relationships, and subjective judgment were the deciding factors. True, there were broad priority categories, but they left a lot of room for maneuver. Although various formal systems had been tried over the years, the reality of work scheduling remained essentially informal and unexplainable. More importantly, the regions lacked assurance that the work they chose to do was important from an Office-wide perspective.

These problems had been recognized and addressed to a certain extent even before the advent of teams. A "tentative assignment list" of upcoming jobs was instituted, for example, and divisions had begun grouping jobs by priority. The team concept, however, reemphasized the need for a more structured, consistent approach to deciding what work should be done. The heavy focus on the team leader's responsibility for doing a job required a better knowledge of the job requirements to permit a good match with available staff. As part of its team implementation plan, FOD directed all regions to rank jobs for staffing by means of a "cascade" process. This involved applying a set of criteria to the jobs programmed for a given region in descending order until all available staff had been assigned. The criteria had been formulated to allow the regions to respond objectively, equitably, and uniformly to the divisions' requests for regional staff and at the same time to recognize the developmental and quality-of-life needs of each staff member. However, the regions did not apply the criteria consistently; divisions continued to distribute work unevenly; and in general, a more comprehensive system was needed.

An FOD study group developed an alternative system, known as the Job Scheduling and Staffing System (JSSS), which was approved for use throughout GAO in January 1979. Under JSSS, each headquarters division prepared monthly a list of jobs it was ready to start the succeeding month. This became known as the Firm Assignment List, or FAL. Because GAO's overall job priority system did not provide a fine enough breakdown for determining the order in which jobs should be staffed, JSSS added key ranking considerations—appropriateness of location, time criticality, and availability of appropriate staff—to help the regions decide which jobs should be staffed. Once all assignments proposed on the combined FAL had been ranked, regional management assigned the staff it knew was becoming available, considering internal GAO projects to effect organizational improvements and additional staffing needs for ongoing jobs. In deciding which staff to assign to the jobs, regional management was to consider the capabilities of individuals; conflict-of-interest implications;

professional and personal interests and needs; and such quality-of-life factors as travel, family situations, leave, and training.<sup>20</sup>

Notwithstanding intensive development efforts, JSSS proved not to be the right answer either. During the first 6 months of JSSS' implementation, several problems were identified. On the scheduling end, the divisions were scheduling jobs unevenly, resulting in over- and under-demands for regional staff at certain times of the year. Divisions were also programming work in excess of their budget allocations. The regional offices were frustrated because they could no longer work with their headquarters counterparts to develop jobs of mutual interest and then be assured the jobs would be scheduled for that region. On the staffing end, the criteria did not allow regional management to adequately meet the goal of satisfying the desires and career development needs of the staff. They also complicated the task of maintaining subject matter expertise.

In November 1979, therefore, JSSS was revised to require that each division prepare a quarterly FAL listing jobs covering about 25 percent of its budget allocation. In addition, the criteria used by regional management to staff assignments were changed to provide more flexibility in recognizing subject matter expertise, staff interest, and developmental needs.<sup>21</sup>

The need to develop and maintain subject matter expertise became an important issue as, under teams, the regions geared up to improve their input into the program planning process. This had been part of the January 1979 agree-



**DETROIT REGIONAL MANAGER AND ASSISTANT REGIONAL MANAGERS** discuss upcoming staff assignments

ment between Keller, Pin, and McElyea. As the Comptroller General put it:

*I have been of the view that the regional offices had a role to play which is over and above simply supplying staff resources to carry out individual audits. They're out in the field, they're out where the agencies are located \* \* \*. Each region is unique because of the problems that are found in that area. Each region has some Federal programs which are somewhat unique \* \* \*. So I felt that the regions could play a more active role in developing our programming than they have \* \* \**

Of course, individuals in the regional offices had been suggesting individual jobs since the heyday of the defense contract audits. Since the establishment of the program planning process, issue area managers and audit site heads had developed special relationships with particular regional offices that had been heavily involved in their work. Staff of these offices usually attended the issue area planning conferences and commented on the plans. Regional participation occurred relatively infrequently, however.

As the 1970's drew to a close, Staats called increasingly for more visible, more systematic regional input at the higher levels of program planning. But to be effective at these levels would require a strong commitment by the regions to developing and maintaining subject matter expertise. It would also require that the divisions make specific commitments to fully avail themselves of this expertise and to program work to regions in line with these commitments. Regions would make such staff commitments only where heavy planning involvement made sense because of strategic location of Federal activities, continuing workload in an issue area, or knowledge and/or interest of the staff.

JSSS, however, posed problems for the envisioned planning partnerships. Despite the revisions that had been made to it, it still constrained regional management's ability to use issue area continuity as a criterion in selecting jobs and assigning staff. A 1980 study chaired by the Office of Program Planning recommended that JSSS be redesigned to allow the divisions to annually set aside blocks of time for regional staff to work in designated issue areas. They would submit their plans to FOD, which would also gather information from the regions as to those issue areas where it made sense to them to establish staffing goals based on past experiences, demographics, and staff interests and expertise. FOD would then evaluate the information it had received from the divisions and regions with a view to identifying conflicts and assuring consistency with FOD goals and Office-wide goals as expressed in issue area plans. It would then negotiate agreements with the divi-

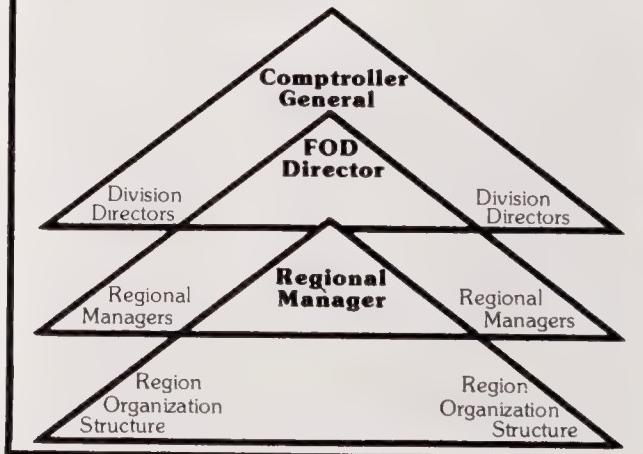
sions on annual issue area goals for each region. FOD would thus be playing the important role of bringing an organizational perspective to bear on the individual and possibly parochial perspectives of the divisions and regions.<sup>22</sup>

## **Unity Of Purpose In A More Progressive Framework**

In June 1979, in the midst of FOD's continuing struggle with organizational change, Francis X. Fee, formerly regional manager in New York, succeeded Stewart McElyea as Director. His goals were similar to his predecessor's, but he had a more open, participative management style. He continued the trend toward instilling greater uniformity and consistency into regional operations. He encouraged regional management to adopt a cooperative, enthusiastic attitude which could serve as an inspiration for the regional staff as well as for the rest of GAO. He wanted regional management to assume active roles in debating and developing Office-wide policies and procedures and then to willingly implement the final decisions and make them work.

At his instigation, a committee of regional managers spent several months developing a formal statement of FOD goals and objectives to form the basis for FOD's implementation of the Senior Executive Service (SES). The framework adopted, which conformed to SES functional/managerial categories, provided for long-term FOD goals in supporting GAO objectives, short-term FOD objectives, and activities to be carried out in each region in support of each of FOD's objectives. The SES categories which were identified as "critical areas of performance" for regional managers were "Technical Output" and "Personnel Management." The regional managers then entered into formal SES contracts with the FOD Director which were based on this framework but were tailored to the unique needs of the individual regions and the capabilities of the managers.<sup>23</sup>

**Figure 14-5**  
**FOD Concept of Headquarters/Field Relationship**



Among Fee's other important initiatives were managerial training and a program for career planning, counseling, and development.

By the spring of 1980, the regions had been grappling with the same problems—teams, the roles of regional management and of the GS-14's, JSSS, input to program planning, and others—for over 2 years. They felt that their voice was not being heard in headquarters and, furthermore, that headquarters hadn't even bothered, in some cases, to undergo the mandated organizational changes that FOD was finding so painful. The strain was exacerbating the "we/they" syndrome and dampening morale. The regional managers formally expressed their concerns to the Comptroller General. He listened carefully and in April informed the Division Directors' Group:

*I believe that serious consideration needs to be given to changing the way we are implementing the Project Team Approach and perhaps further clarification of the role of the Regional Managers and Assistant Regional Managers for the future.<sup>24</sup>*

He asked the group to address these and related issues and give him recommendations for action. After the deliberation process described in chapter 7, the Division Directors' Group recommended that the role of FOD and the regional

offices as it had evolved be legitimized by issuing a GAO order on their operations. The group felt that issuance of the order should be postponed, however, until all the other issues which affected that role had been fully resolved. In recommending that the team concept be abandoned as the way of doing most of GAO's work (but retained as a way of doing a portion of the work) and that each division develop its own operating plan, the Division Directors' Group opened the door for FOD to take a decisive hand in shaping its future role and responsibilities. They also offered specific recommendations to assure that regional offices became a more integral part of the program planning process. These incorporated the proposal of the OPP study on JSSS for designating regional staff to be associated with specific issue areas.<sup>25</sup>

With some modifications, Staats endorsed these recommendations in a September 12, 1980, memorandum to all professional staff. The memorandum also reemphasized regional management's quality control responsibility and defined it to include assuring that appropriate supervision and effective performance evaluation are provided to regional staff.<sup>26</sup>

In December 1980 FOD's operating plan was approved. It required that FOD:

- Cooperate and communicate with the divisions in developing a partnership for accomplishing the work of the Office.



**REGIONAL MANAGERS CONFERENCE** in Chicago, Illinois, Oct. 13-17, 1979

- Assure that work performed by regional staff is of high technical quality and is provided in a timely manner.
- Decide the degree of regional technical direction and supervision for each job the regions are asked to perform.
- Custom-design and staff each job so that only the staff essential to the successful completion of the project will be involved in the planning, implementation, and communication phases of the review.
- Execute a written understanding between regional and division management for each assignment identifying the job management responsibilities.
- Evaluate staff performance and provide feedback to them.

The plan also contained a provision for continuously evaluating the division's success in carrying it out and in resolving GAO's operational problems. Overall, FOD's objective was to pro-

gress to a point where as many of the regional staff as possible could carry out their assignments with as little supervision and review as possible.

## **The Regional Offices: Past And Future**

From 1966 to 1981, the regional offices made many contributions to GAO and its work. They lived up to the Comptroller General's expectation that they "had a role to play which is above simply supplying staff resources to carry out individual audits." They influenced the operations of the Office significantly through their broad-based approach to its problems and the many improvement projects they initiated. Many GAO-wide systems—the Assignment Management and Planning System, the Project Planning and Management Approach, JSSS, and issue area planning, for example—originated in the regions. In this respect, they were sometimes ahead of headquarters in implementing change.

### **Regional Offices And Suboffices: Maximum Coverage At Minimum Cost**

GAO's work requires that its auditors be where the action is—that is, in close contact with Government programs and the officials responsible for them. The cost of having auditors from Washington regularly crisscrossing the country to gather information would, of course, be prohibitive. As an alternative, GAO established its regional offices and suboffices to be its eyes and ears at the program operating level. Like a group insurance policy, they provide maximum coverage at the minimum cost.

The present regional structure of 15 offices seems to be working reasonably well. The Comptroller General has remarked that, while there is no ideal number of regional offices, the current number is adequate and probably should not be substantially increased. GAO's regional boundaries do not conform to those of the 10 standard Federal regions, and the question of realigning the regions to achieve such conformity is sometimes raised. Staats never thought it was essential for GAO's configuration to match that of Federal agencies as long as GAO maintained, as it does, an office in each of the 10 Federal regions.

Regional boundaries, although clearly delineated, are flexible. "Turf" disputes have apparently never been as prominent a feature of regional relationships as they have been for the divisions. Thus, the technique of "fly-throughs" was allowed to flourish for a single region as a way to efficiently obtain broad geographic coverage in audit work. Begun in the early 1970's in Seattle, fly-throughs consist of quick visits to several locations by an audit team. This procedure enhances efficiency by eliminating the communication, coordination, and learning problems inherent in a widely dispersed multiregion audit team. The net effect is to maximize the expertise of the regional audit teams involved—expertise that would be difficult to impart to others—while minimizing both staff-day investments and calendar time.

The regions have 22 suboffices (or sublocations) which vary in size and workload mix. St. Louis, a suboffice in the Kansas City region, boasts 36 auditors and is thus the largest in size. Ogden and Lowry Air Force Base, both in the Denver region, have the distinction of being the smallest suboffices, with two auditors each.

Suboffices are established more or less ad hoc in response to a demonstrated need to do work in a particular area. There are as many reasons for their existence as there are suboffices. Two recent creations, Houston and Albany, illustrate this point. The Houston suboffice was established in 1976 to carry out new responsibilities given to GAO under the Energy Policy and Conservation Act of 1975. The Albany suboffice was opened in 1977 to enhance audit capability in the State and local government area. Upstate New York contains about 8 million residents and receives massive amounts of Federal assistance.

**(Continued Next Page)**

FOD improved communications between regions in the later years, and a closer relationship with headquarters was made more likely. The FOD operating plan, job scheduling and staffing, and regional participation in program planning required that the regions and headquarters effectively interact as a unit and communicate with each other more than in the past.

1. Harvey C. Mansfield. *The Comptroller General: A Study in the Law and Practice of Financial Administration* (New Haven, Conn.: Yale University Press, 1939), pp. 159, 164.

2. C. E. Merrill, "History of the Field Operations Division," *The GAO Review*, (Summer 1971), pp. 128-135.

3. U.S. General Accounting Office, Field Operations Division, "Responsibilities and Duties of Regional Manager, Audit Manager, Site Supervisor, and Staff Assistant," internal paper, Jan. 1964.

4. David Sorando, "The Significance of the Holifield Hearings for GAO," *The WRO Ledger*, Dec. 1979-Jan. 1980, pp. 2-3.

5. U.S. General Accounting Office, Community and Economic Development Division Task Force on Washington/Field Relations, "The Team Leader Concept A Proposal for Doing a Better Job Faster" (CED-78-34, Feb. 21, 1978), report to the Director, CED, pp. 11-12.

6. Sorando, p. 5.

7. Joseph Pois, *Watchdog on the Potomac: A Study of the Comptroller General of the United States*, Jan. 1971 draft, pp. 680-81.

8. Comptroller General Staats, Memorandum to accounting and auditing staff, 8 Nov. 1967.

9. U.S. General Accounting Office, Committee for Improvement of Report Processing and Review Procedures, "Actions Needed To Expedite Issuance of Reports," Jan. 28, 1971, p. 23.

10. Comptroller General's memorandum to accounting and auditing staff, 8 Nov. 1967.

11. Comptroller General Staats, Memorandum to heads of divisions and offices, 16 Mar. 1972.

12. Assistant Comptroller General Ellsworth H. Morse, Memorandum to heads of divisions and offices, 29 Sept. 1972.

13. U.S. General Accounting Office, Task Force on Project Management, "Report to the Comptroller General of the United States" (Dec. 1975), p. 30.

14. CED Task Force, CED-78-34, Feb. 21, 1978.

15. U.S. General Accounting Office, Field Operations Division, "FOCUS 78/79," FOD reference document prepared for regional managers' meeting, Boston, 1978.

16. U.S. General Accounting Office, Task Force on Improving GAO Effectiveness, "Report of Findings, Conclusions, and Recommendations" (Nov. 9, 1977), p. 11.

17. U.S. General Accounting Office, Field Operations Division, "Implementation Plan," 8 Feb. 1978.

18. U.S. General Accounting Office, Field Operations Division, "Operating Under Teams," FOD reference paper, Sept. 1979, pp. 5-8.

19. Deputy Comptroller General Robert F. Keller, Assistant to the Comptroller General Clerio Pin, Field Operations Division Director S. D. McElvea, Memorandum of Agreement, 16 Jan. 1979.

## Regional Offices And Suboffices: Maximum Coverage At Minimum Cost—Continued

While some suboffices, like San Antonio and Dayton, have grown considerably in recent years, others have not. Sometimes the availability of suboffice staff does not match well the location of available work, necessitating extensive travel by the staff to other parts of the region. Sometimes, basic workload patterns change. New Orleans, originally established as a regional office in 1951, is a case in point. When the 10 Federal regions were established in the late 1960's, much of the workload moved from New Orleans to Dallas and Atlanta. In 1970 it became a suboffice in the Dallas region. As of this writing New Orleans has 25 auditors, many of whom must travel elsewhere, particularly to western Texas, for their work.

Despite diminishing workloads and other changing circumstances, most suboffices keep going once they have been established. Some have closed down, as the Syracuse, New York, suboffice did in 1972. Others, like the Cocoa Beach suboffice, have been substantially reduced in size in recent years. Once staff permanently locate in a given city, it is costly and inconvenient to move them to another location.

The relationship between regional office and suboffice varies, depending on the type of work and the regional manager's style and philosophy. The Cleveland suboffice functions as an integral part of the regional office, its independent status having been eliminated and its size reduced. The Detroit regional manager believes that mixing staff and assigning people where they are needed produces a useful cross-fertilization of ideas and has strengthened the region overall. In contrast, the St. Louis suboffice has a large defense-oriented workload, which keeps its auditors busy at that location. It, therefore, functions semiautonomously and mixes little with the staff of Kansas City.

Morale can be a problem in suboffices. The most frequently cited concerns are extensive travel, work which lacks diversity, and isolation. In addition, suboffice staff sometimes feel like second class citizens left out of the regional decisionmaking process because of their location away from the main office. Regional management acknowledges these concerns and has tried, although not always with success, to make suboffice staff feel a part of the regional units.

At this time there is no overall evaluation process for the suboffices. Frank Fee, Director of FOD, has indicated the need to study such topics as suboffice effectiveness, resource allocation, and management.

Regional offices and suboffices serve a necessary and practical function. They allow audit coverage to be extended and GAO staff to be placed closer to home with less travel. Certain managerial and communications problems are direct byproducts of these organizational structures. But the question is, "what would GAO do without them?"

20. U.S. General Accounting Office, Field Operations Division, "Job Ranking and Staffing Subsystem," FOD reference paper, Jan. 1979.
21. James D. Martin, Director, Office of Program Planning, Memorandum to Comptroller General, 13 Nov. 1979.
22. Gregory J. Ahart, Chairman, Directors Group, Memorandum to Comptroller General, 9 Sept. 1980, Attachment II: "Paper Developed by Task Group on Front-End Goal Setting and Revisions to the Job Scheduling and Staffing System."
23. U.S. General Accounting Office, Field Operations Division, "FOD Goals and Objectives: A Framework for Setting Division and Regional Goals and Objectives," Mar. 1980.
24. Comptroller General Staats, Memorandum to division directors, 10 Apr. 1980.
25. Gregory J. Ahart, Chairman, Directors Group, Memorandum to Comptroller General Staats, 9 Sept. 1980.
26. U.S. General Accounting Office, Field Operations Division, "FOD Operating Plan," Dec. 1, 1980.



# Chapter 15

## Legal Decisions And Services

The Office of the General Counsel (OGC) is responsible for the legal and legislative work of GAO. OGC generally renders legal decisions and advice, through the Comptroller General where appropriate, to

- Congressional committees, members of Congress, and the Office of Management and Budget.
- Federal agency heads and disbursing and certifying officers on the legality or propriety or proposed expenditures of public funds.
- Officers or employees authorized to request relief on behalf of accountable and certifying officers.
- Contracting and procurement officers and bidders, in connection with Government contracts.
- Debtors and creditors of the Government who are dissatisfied with the handling of their affairs by other agencies.
- GAO auditors in their review of agency programs and activities.<sup>1</sup>

GAO's authority to render decisions and opinions on the legality and propriety of Government agencies' expenditures of appropriated funds is based on its statutory authority to settle accountable officers' accounts.<sup>2</sup> Agency heads of departments and accountable officers are also authorized by statute to apply to the Comptroller General for advance decisions on any legal questions involved in a proposed expenditure of appropriated funds.<sup>3</sup>

The importance of the law to GAO is underscored by the fact that, until 1955, nearly all Comptrollers General and their predecessor Comptrollers of the Treasury were lawyers. The founders of the Republic in 1789 and of GAO

in 1921 considered it a judicial office, hence the long term and irremovability of the Comptroller General. The Campbell nomination ran into trouble because he was not a lawyer, although the same question was not raised about Staats.

Mosher characterized the significance of Comptroller General rulings this way:

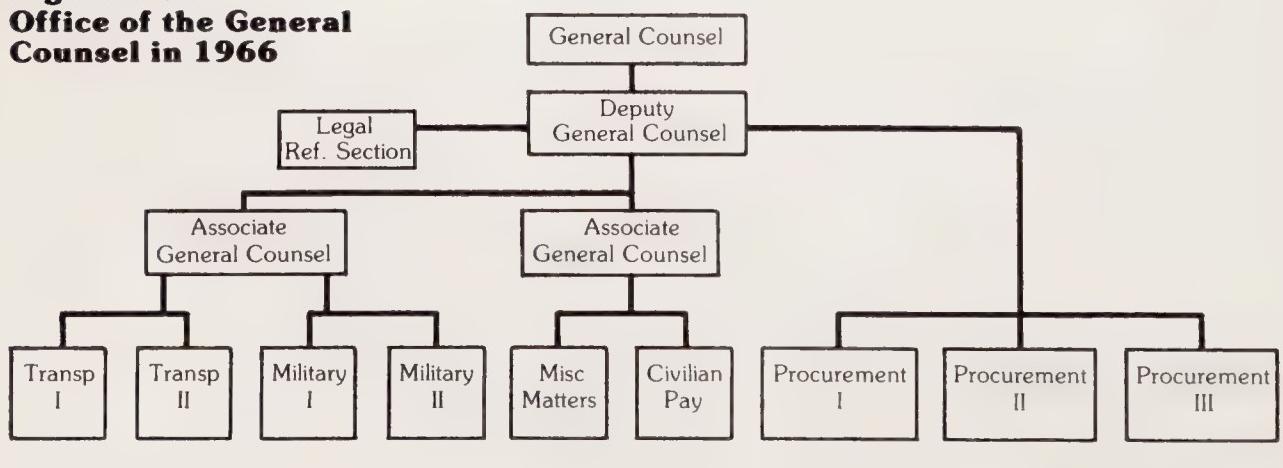
*Over the years, the decisions of the Comptroller General (and his predecessor, the comptroller of the treasury) have cumulated to enormous numbers. They are very nearly the bible, verse, and multiple footnotes on law in the national government, a basic reference guide for officials of Federal agencies. They are available to Congress, the courts, and the public. The more important ones are brought together annually and published as *Decisions of the Comptroller General* \* \* \*. A substantial proportion of these concern rather small, one-time questions, and some are very technical. On the other hand, the Comptroller General produces a number of interpretations every year with broad and enduring implications on public policy.<sup>4</sup>*

Since most of OGC's workload is generated from outside sources, it constantly makes adjustments to ensure effective service for its "clientele." Organizational changes within GAO over the past 15 years also have required many changes in OGC. Its total staff now numbers about 125, all of whom are located in the headquarters building.

### Nature And Operation Of OGC In 1966

In 1966, OGC consisted of three main decisionwriting groups, as shown in the chart below.

**Figure 15-1**  
**Office of the General Counsel in 1966**



The first group, the procurement group, was headed by the Deputy General Counsel and subdivided into three sections. The second group, headed by an Associate General Counsel, was composed of two transportation sections and two military pay sections. The third group, also headed by an Associate General Counsel, consisted of a civilian pay section and a so-called miscellaneous matters section.

The General Counsel played a dominant role in the day-to-day operation of OGC, making virtually all personnel and administrative decisions alone. The Deputy General Counsel functioned essentially in the procurement area as the "final reviewer" of bid protest decisions. The Associate and Assistant General Counsels played a relatively minor role in OGC's overall management, being responsible for drafting and finalizing decisions in their respective areas. In line with this traditional management approach, there were no periodic staff meetings and only limited intraoffice communication.

OGC viewed its mission as issuing decisions or opinions on the legality of proposed expenditures of public funds, the great majority of which were rendered to organizations and individuals outside GAO. OGC also issued opinions in response to audit division requests, but this function was looked upon as secondary and incidental in nature. The audit staff requested a legal opinion by submitting a formal written request from the division director to the General Counsel. While this procedure was compatible with issuing legal decisions, it complicated rather than complemented GAO's audit process.

On the whole OGC's decisions tended toward the disapproval of an agency's use of appropriated funds unless statutory sanction for such use could be explicitly identified.

Staats and the General Counsel appointed in 1969, Paul Dembling, modified this organization and approach. First, the organizational structure was consolidated. Second, the General Counsel began to play a more active role in the overall operation of GAO, with the Deputy, Associate, and Assistant General Counsels becoming more involved in managing OGC itself. Finally, OGC began to place far more emphasis on providing legal assistance to the audit divisions. These developments are addressed in the sections that follow.

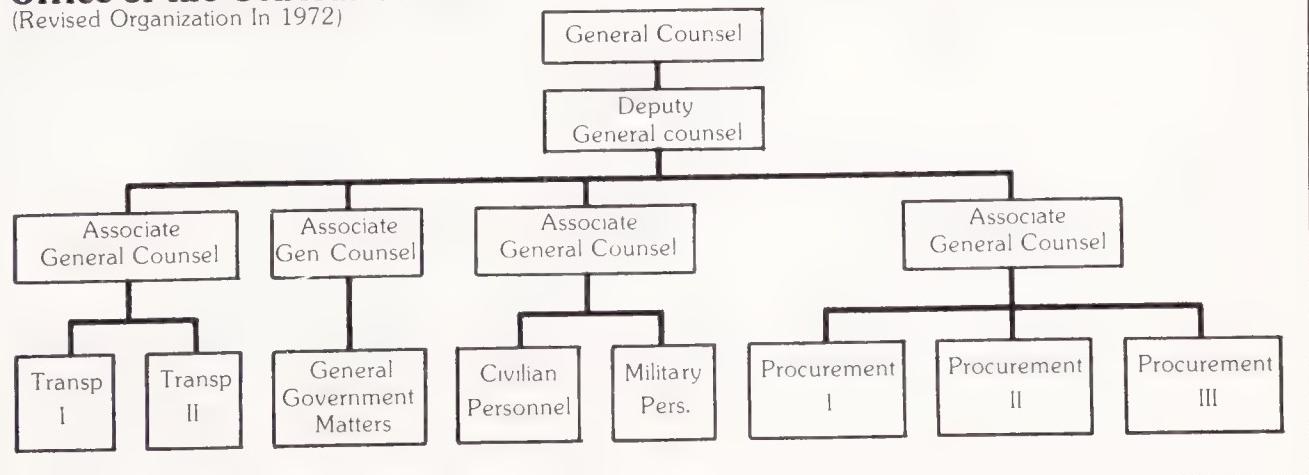
## **Changes In The Organizational Structure**

Over the past 15 years, OGC's organizational structure has undergone several changes and each was designed to either increase OGC's operational efficiency or adapt to a changing external environment.

In 1972 OGC realigned its structure. It consolidated the personnel groups under one Associate General Counsel. It also placed the procurement groups under an Associate and thereby freed the Deputy General Counsel to pay more attention to carrying out OGC-wide duties and work directly with the General Counsel.<sup>5</sup> Under this realignment four Associate General Counsels were made responsible for assignments concerning (1) personnel law, subdivided into civil and military groups, (2) general government matters, (3) transportation law, subdivided into two groups, and (4) procurement law, subdivided into three groups. Each group was headed by an Assistant General Counsel. The chart below depicts this structure.

To improve the legal assistance to audit divisions, OGC established the Special Studies and Analysis Section (SSA) in 1973. Headed by an

**Figure 15-2**  
**Office of the General Counsel**  
(Revised Organization In 1972)



Associate General Counsel, SSA performs two general functions: it conducts detailed studies and analyses of broad-based policy questions of a legal nature and it provides more effective legal assistance to operating divisions by furnishing a more flexible and ready means to address and resolve any legal questions that might arise during audits. Audit divisions are assigned to SSA senior attorneys who in turn are supported by experienced staff that provide day-to-day assistance, often informally. Although SSA serves as a focal point for audit division legal inquiries, other OGC groups are encouraged to provide as much legal assistance in their areas of expertise as their primary responsibilities permit.<sup>6</sup>

SSA also performs general advisory functions. Two key examples are its substantial involvement in (1) the enactment of the General Accounting Office Acts of 1974 and 1980 and (2) the evaluation of whether the Chrysler Corporation had met the statutory requirements to become eligible for financial assistance from the Government. This latter work was necessary because the Comptroller General, as one of the voting members of the Chrysler Loan Guarantee Board, was responsible for voting his approval or disapproval of matters under consideration by the Board.<sup>7</sup>

OGC is also phasing out the transportation law groups, stemming from the enactment of the General Accounting Office Act of 1974. This act transferred to the General Services Administration GAO's previous functions of auditing and adjusting payments to carriers and forwarders furnishing transportation to the Government.<sup>8</sup> (See ch. 8.) With the dissolution of the Transportation Division, which generated most of the OGC transportation law groups' workload, there was a steady decline in workload.

GAO is not out of the picture altogether, however. The 1974 act gave the Comptroller General the right to review the performance of GSA's new statutory responsibilities. Additionally, OGC continues to receive claims by carriers and forwarders for loss of or damage to property and oversees the use of travel agencies in procuring official travel services. These functions will most likely be carried out in one of the procurement groups.

## **Others Participate In Managing OGC**

The overall management of OGC in terms of its operations and personnel became more participatory, with the Deputy, Associate, and Assistant General Counsels playing active roles. There was greater communication in setting internal policies and procedures, and more frequent staff meetings to discuss these matters. The Deputy General Counsel now plays a particularly important role in managing OGC, almost achieving the status of a full partner with the General Counsel.

This more participatory approach brought forth more uniform policies and procedures for hiring, evaluating, and promoting attorneys. OGC—like other Federal legal offices—operates its own personnel system. In 1973 OGC established a Summer Legal Intern Program, which has been the primary source of its hires in recent years. This program was designed primarily to give OGC an opportunity to evaluate, in advance of permanent employment, the personal attributes and professional qualifications of potential professional staff members and to allow them an opportunity to learn about GAO. OGC employs about 16 summer interns who are assigned, for approximately equal periods during their stays, to two of the five functional sections. In each, the law students are exposed to a representative cross-section of the legal questions they would be given as newly hired attorneys. The work products of each intern are critiqued individually, and the intern's overall performance is evaluated in detail to decide which interns are to be offered jobs.

In 1975 OGC set up a "rotating trainee attorneys" group in which most newly hired attorneys are placed for the first 9 months of their employment. These attorneys are assigned directly to each section at stated intervals so as to expose them, early in their careers, to the full spectrum of OGC's legal functions. At the end of the rotating period, the attorneys are permanently assigned to sections, taking into account their desires and OGC's needs.

In 1974 OGC established a more formal and definitive promotion policy for its decisionwriting attorneys (up to and including GS-15's). This policy, as revised in 1979, set forth criteria as to what attorneys are expected to do at each grade level.<sup>9</sup> It also established generally applied minimum waiting periods for promotion to the next grade level.

In the mid-1970's, OGC also established a more formal and uniform procedure for considering attorney promotions. Assistant General Counsels are responsible for evaluating whether attorneys meet the qualification and minimum waiting period criteria. Assuming an evaluation is favorable, the Assistant General Counsel forwards a recommendation for promotion to the OGC Promotion Review Board, which is chaired by the Deputy General Counsel and is composed of the four Associate General Counsels. The board reviews the recommendation and forwards the file to the General Counsel with a recommendation for a final decision.

## **OGC Participation In Formulating Office-wide Policy**

Reflective of OGC's more pronounced role as a general advisor to GAO as a whole and incident to its becoming more involved with the performance of audit work, OGC has become

increasingly involved in formulating internal and external Office policies. In carrying out this function, OGC's advice and counsel extends beyond simply commenting on legal matters.

The General Counsel serves on several committees: the Program Planning Committee, the Executive Resources Board, the Information Policy Committee, and the Ethics Committee. He helps formulate recommendations and reach decisions having a broad impact on GAO's internal operations.

OGC played a major role in revising GAO's procedures for handling apparent criminal law violations and other cases of fraud or abuse found during audits. (See ch. 5.) On the basis of extensive discussions with the GAO divisions and offices concerned, as well as Department of Justice officials, OGC revised the Office procedures to provide for a more centralized referral system for criminal law violations. The procedures also provide for GAO coordination with agency Inspector General offices and similar investigatory offices concerning specific instances of fraud or abuse within agency programs and activities.<sup>10</sup>

OGC also was instrumental in formulating GAO's policy with respect to the Privacy Act of 1974. The purpose of the act is to provide safeguards for individuals against invasions of personal privacy by imposing requirements for the collection, maintenance, use, and dissemination

of personal information by Federal agencies. In response to a number of inquiries from GAO auditors about the effect of that act on GAO audit work, in 1976 OGC issued a legal opinion to all GAO divisions and offices.<sup>11</sup> It said that, generally, the act did not affect GAO's access to records and provided guidance on how to avoid delays in acquiring access to agency records.

## Decisionwriting

OGC's principal responsibility has continued to be writing decisions on the legality and propriety of Government agencies' receipt and expenditure of appropriated funds. These decisions on the legality of expenditures are considered binding on the executive branch and on GAO, but they are not binding on the Congress or the courts. Over the years, the Attorney General has also ruled on many aspects of government finances but no way has been found to formally resolve disputes between him and the Comptroller General.

Some general changes in GAO decisionwriting are notable. First, there appears to be more of a tendency today when deciding cases to reassess rationales stated in previous Comptroller General decisions and other rulings. For example, in 1974 the traditional position regarding so-called employee make-whole remedies was reexamined.<sup>12</sup> These remedies are designed to "make whole" an employee who has been de-



**THE THREE GENERAL COUNSELS** who served during the period were (l. to r.) Milton Socolar, Robert Keller, and Paul Dembling (far right)

prived of compensation or benefits as a result of improper action by an agency official. The most comprehensive make-whole remedy is the Back Pay Act, which entitles an employee to retroactive pay during the period of an unjustified or unwarranted personnel action by the agency concerned. In construing this act more liberally than in the past, GAO expanded the number of situations under which an employee could be entitled to relief. Since 1974 GAO has rendered a series of decisions allowing back pay for violations of various collective-bargaining agreements requiring the granting of promotions, overtime, environmental differentials, and parking facilities.

A second distinct change is the tendency to interpret agency appropriations acts and authorizing statutes in a somewhat broader, more realistic way. This approach reflects greater appreciation of the fact that the Congress does not always specify in great detail in statutes the manner and purposes for which funds may be expended in order to properly carry out the underlying program.

An example of this approach is the gradual but complete change in GAO's policy about providing funding for interveners in licensing or adjudicatory hearings by independent regulatory agencies. The issue was whether, without special statutory authority, a regulatory agency could pay persons representing groups that were not formal parties to the administrative hearing to present their points of view to the agency, in instances when financial help would be necessary to cover the costs of participation. GAO entered the controversy cautiously in 1972, with a well-hedged "yes" answer and grew bolder with each decision in successive years. GAO's support for agency intervenor programs was a factor in providing consumer and public input into a great number of controversial agency proceedings formerly dominated by industry spokesmen.

## **Procurement Bid Protest Procedures**

During the past 15 years, all phases of GAO's legal role as an adjudicator of bid protests and reviewer of contractual disputes between Government procurement agencies and the business community have been marked by significant developments. GAO receives the protest of an interested party to the award of a contract for procurement or sale by a Federal agency whose accounts are subject to settlement by the Office. From a historical and practical perspective, GAO has become the highest level of appeal within the Government to resolve bid protests. In recognition of GAO's expertise in this area, in recent years courts have often relied upon GAO decisions and advice in disposing of the bid protest cases brought before them.

During this period, GAO's legal role in Federal procurement has responded to external and internal developments that resulted in changes of approach designed to improve the resolution of protests and achieve more effectiveness and fairness. These changes reflected GAO's goal to maintain the delicate balance between a dissatisfied competitor's right to a full and fair hearing and the Government's necessity for the timely acquisition of supplies and services to satisfy minimum needs at the lowest cost. Some changes were made in response to recommendations of the Commission on Government Procurement issued in December 1972, which were designed to formalize and expedite the resolution of bid protests. The major changes basically concerned (1) formalizing of bid protest procedures, (2) developing administrative remedies, and (3) expanding of jurisdiction in the Federal grant area.

## **ADMINISTRATIVE PROCEDURES**

From 1921 to 1967, protests were handled without publicly announced procedures. Responding to increased congressional interest in this protest work and valid criticisms voiced at industry-Government symposiums on Government contracts, the first GAO bid protest procedures were issued in 1967 and 1968.<sup>14</sup> These procedures permitted the contractors involved, either the protesters or the awardees, to request conferences with the OGC attorneys handling the cases. They also reserved GAO's right to disclose the protests publicly and provided for notice to the successful bidders if GAO sustains the protests.

In 1971 GAO announced extensive interim protest-handling guidelines that (1) provided for speedier disposition of protests by establishing specific time limits on all parties involved, including GAO, (2) prescribed strict timeframes within which protests were to be filed, (3) provided for inviting all interested parties to protest conferences, (4) assured automatic participation by all interested parties by prompt protest notifications and forwarding of relevant documents, and (5) reduced the number of cases of awards made before decision.<sup>15</sup> After 3 years' experience under those procedures, detailed permanent procedures which generally tracked the interim procedures were issued in 1975. They continue in effect today.

Complementary measures and policies have been devised to resolve protests as fast as possible. These include summary denials where protests on their face have no merit and summary dismissals of matters which GAO does not have to decide.

## **ADMINISTRATIVE REMEDIES**

One problem with bid protests has been finding a means to provide an effective remedy in the relatively small number of cases where GAO

has decided that protesters were wrongfully denied contract awards. This is particularly difficult when the procuring agencies have already awarded the contracts and the contractors have commenced performance. Rather than require that the contracts be terminated, GAO for many years merely recommended that the agencies in the future not commit the improper practices disclosed by the protests.

In recent years, GAO began recommending termination of the improperly awarded contracts and award to the protesters in appropriate cases.<sup>16</sup> The recommendations, with which agencies have complied in the vast majority of cases, take into account factors such as urgency of the need, extent of performance, and prejudice to the protesters. Terminated contracts are made whole by being reimbursed for costs for performance, and the wronged protesters either obtain contracts or other opportunities to compete. In other cases, GAO recommends other remedies, such as nonexercise of contract options, resolicitation with a view toward termination if beneficial to the Government, and corrective action contingent on further agency analysis. Since 1970, these recommendations have been reported to specified congressional committees under procedures in the Legislative Reorganization Act of 1970 requiring that the agencies report to the Congress on the actions taken on GAO recommendations. Corrective action has generally followed GAO's report.

In addition, GAO began in 1975 to grant bid or proposal preparation costs—the protester's costs of competing for the contract—where remedial action is impractical but otherwise would have been warranted.<sup>17</sup> Previously GAO had decided that these claims would not be settled until appropriate criteria and standards for recovery had been judicially established. The Court of Claims, in a decision announced in 1956 and subsequently refined by decisions through 1974, determined that recovery is permitted only if a bidder or proposer would have received an award but for arbitrary or capricious Government action.<sup>18</sup> Following the court's lead, GAO has granted recovery in several cases in the last few years.

#### **EXTENDING THE BID PROTEST PROCESS TO FEDERAL GRANTS**

While GAO's traditional bid protest role related to the procurements of Federal agencies, GAO for many years had received complaints regarding procurements by Federal grantees. These complaints increased as the number and size of Federal grant programs expanded in the 1960's. In fiscal year 1976, Federal grant activity approximated \$60 billion; \$8 billion in construction contracts were awarded under Federal grants in fiscal year 1974. Recognizing this and GAO's statutory obligation to investigate the receipt, disbursement, and application of public

funds, GAO announced in September 1975 that upon request of prospective contractors, the propriety of contract awards by grantees in furtherance of grant purposes would be reviewed.<sup>19</sup> The stated purpose was to foster compliance with statutory, regulatory, and grant requirements, with particular emphasis on compliance with competitive bidding requirements.

GAO has received and decided a steady flow of complaints against the procurement practices of Federal grantees. An evolving and consistent body of law is developing from decisions on these matters. GAO has developed law on such key issues as (1) whether local procurement law or basic principles of Federal procurement law (the so-called Federal norm) apply, (2) the degree of discretion afforded grantees in contracting, and (3) the responsibilities of grantor agencies in enforcing and implementing applicable grant requirements.

#### **Providing Legal Assistance To The Audit Staffs**

Over the years OGC has continually provided legal assistance to the operating audit divisions, but during Staats' tenure both the nature and extent of legal assistance have significantly expanded. These changes resulted directly from both the Comptroller General's and the General Counsel's views that the operating divisions and OGC should work together as a team so that GAO could be more responsive to the needs of the Congress through preparation and issuance of more substantive, better documented reports.

OGC's approach was made more flexible to provide more effective legal assistance. The nature of OGC assistance, provided mostly by SSA, is quite broad. It may include

- providing formal or informal advice on specific legal questions,
- drafting "legally intensive" portions of audit reports
- drafting proposed legislation, and
- participating in meetings or congressional hearings where legal questions may arise.<sup>20</sup>

Close working relationships have developed between OGC and the operating audit divisions in recent years, with attorneys effectively becoming members of individual audit groups and teams. The Director of the Accounting and Financial Management Division has observed:

*In recent years, we have been using the Office of General Counsel (OGC) more frequently to help us integrate any legal matters we now come across during our audit and review work. As a result, I believe that our audits and reports have been broader in perspective, better documented, more convincing, and more re-*

sponsive to the needs of the Congress. I see this trend continuing because we are approaching our work differently today than we did a few years ago. Today the skills of many people including lawyers are needed to properly assess the results of the work in the many areas assigned to the Financial and General Management Studies Division.<sup>21</sup>

Because an attorney's overall perspective of the audit project at the outset can be quite beneficial, OGC has encouraged the audit divisions to involve attorneys at the early stages of a review. For example, an attorney may be able to identify legal issues that are not readily apparent to the audit staff. OGC has also emphasized auditors and attorneys working together during the review. In this way legal assistance can frequently be tailored to the auditors' needs.

Illustrative of the types of legal assistance OGC provides to the audit divisions during reviews was a report to the Congress about crime on Federal land used for recreation.<sup>22</sup> Because a number of Federal agencies administer these recreation areas under different statutory authorities, OGC had to decide whether law enforcement on these lands was totally a Federal responsibility, totally a local government responsibility, or both a Federal and a local responsibility. OGC issued several opinions and helped draft the report. The report contained draft legislation providing enforcement authority for the agencies administering national recreational areas. After the report was issued, OGC prepared most of the testimony given before a congressional committee.

Another means by which OGC provides ongoing assistance to audit divisions is the publication of the "OGC Advisor." This publication, first issued in 1976, contains articles on legal issues which are considered of importance and interest to GAO. The articles are addressed to GAO's professional staff and are written in a nontechnical and readable format. The "OGC Adviser" has addressed such common problems as access to records, conflicts of interest, the Freedom of Information and Privacy Acts, and handling of issues in litigation.

## **Executive Branch Impoundments**

In 1976 OGC assumed the responsibility for administering the Comptroller General's duties under the Impoundment Control Act of 1974.

Before 1974 the practice of "impounding" appropriated funds was used by the executive branch as a means of containing Federal spending as well as a way of deciding the relative merits and effectiveness of competing Federal programs. The Congress reacted to executive impoundment actions in a mixed fashion, and the

Comptroller General played a relatively minor role in connection with such actions.

The Impoundment Control Act of 1974 was enacted to give the Congress greater control over executive impoundment actions.<sup>23</sup> The act requires that all reductions of budgetary outlays below levels set by the Congress be reported to the Congress and provides ways for the Congress to express its approval or disapproval. Impoundments not approved by the Congress must be discontinued.

Under the act proposed rescissions—permanent withdrawals of budget authority—require affirmative congressional action within 45 days of continuous congressional session to become effective. Lacking affirmative action by the Congress, the impounded funds involved must be made available for obligation. Deferrals—temporary impoundments—stand unless either House, by simple resolution, rejects a proposed withholding. Proposed rescissions have been rejected by the Congress more often than proposed deferrals.

The Comptroller General assumed an important responsibility under this legislation in that he is required to review each Presidential impoundment message and submit a report to the Congress. This report sets forth the facts surrounding each proposed impoundment and its probable effects and, in the case of a proposed deferral, determines whether the proposal is authorized by law. The Comptroller General is also authorized to submit a report on any withheld budget authority without the required special message being sent to the Congress. Under certain circumstances, he can bring a civil action in court to compel an agency to release funds which he believes to be improperly impounded.

The Office of Program Analysis (now the Program Analysis Division) was initially responsible for administering the Comptroller General's duties under the act. This responsibility was transferred to OGC in June 1976 because of the legal intensiveness of the area.

The Comptroller General filed a lawsuit against the executive branch in 1975 involving an improper impoundment.<sup>24</sup> This lawsuit, which represented the first time the Comptroller General had initiated litigation in his own right, was filed against the Secretary of Housing and Urban Development and the Director of the Office of Management and Budget to release impounded funds for the homeownership assistance program under section 235 of the National Housing Act. A judicial decision on the merits was never rendered because during the briefing stages the Department released the impounded funds, thus causing the action to be dismissed.

During the past 4 years, OGC has processed a number of reports responding to special messages transmitted by the President to the Congress. This function is carried out by SSA with assistance from the audit divisions.

Conflict between the Congress and the President over impoundment fell off sharply after the 1974 law went into effect. Aside from the one lawsuit, there have been few instances in which GAO has raised legal issues with executive branch actions. In 1977 GAO issued a lengthy report on the operation of the act during its first 2 years, which said:

*On balance, GAO feels that the President has done a good job of implementing the Impoundment Control Act; GAO has had to report comparatively few unreported impoundments, and the overall quality of impoundment reports has improved since the first "special message" was sent to the Congress. Nevertheless, further improvements can be made in the quality of impoundment reports.<sup>25</sup>*

GAO believes that certain provisions of the act should be amended in order to define key terms, give the Congress more flexibility with respect to disapproving proposed deferrals of budget authority, and clarify certain aspects of its operation. The Congress, however, has not yet acted on these proposals.

## **Legal Information And Reference Service**

OGC's Legal Information and Reference Service (LIRS) provides ongoing legal support services to the General Counsel, the Comptroller General, the audit divisions, and the public. Many of the procedures employed in gathering and maintaining legal information have been streamlined or modernized during the 1966-71 period, but there have been few changes in functional responsibility areas. LIRS is comprised of three subordinate sections, the Index and Files Section, the Index-Digest Section, and the Legislative Digest Section, but plans are being developed to merge the functions of the last of these three with the Law Library. Together they provide little known but necessary support for GAO's legal, audit, and evaluation activities.

### **INDEX AND FILES**

The Index and Files Section is the correspondence control center for all incoming and outgoing correspondence, reports, decisions, and other documents addressed to or signed by officials in the Office of the Comptroller General and the Office of the General Counsel.

One major development here was implementation in 1978 of a computerized information system used in support of centralized correspondence control. This on-line system is used to store information extracted from incoming and outgoing materials. It provides immediate access to all case-related information processed since September 1978. Additionally, Index and Files retains manual card files going back to 1921.

Thus, a researcher can obtain information, by using both the old card system and the new automated system, for any case or group of cases processed by Index and Files since 1921.

### **INDEX-DIGEST**

The Index-Digest Section compiles and maintains the research material related to all legal issuances of the Office of General Counsel. It maintains an in-house research facility by constantly updating the various legal indexes, prepares for printing all legal publications emanating from the Office of General Counsel, and provides research assistance to GAO legal and audit staffs, personnel from other governmental agencies, and other interested parties.

This section produces an annual, bound volume of Comptroller General decisions. Decisions selected for publication constitute approximately 10 percent of the total decisions rendered annually. Digests of decisions not included in the bound volume are issued quarterly in pamphlet form. Office memoranda and non-decision letters are also assembled in the Index-Digest Section, but these documents are not available to other agencies and organizations.

In 1968 the Department of the Air Force's Federal Legal Information Through Electronics system (FLITE) began to include all Comptroller General decisions in its data base. This data is used by FLITE to respond to requests for information by subscribers to that system.

Another major change in research technology occurred in 1977, when the published decisions of the Comptroller General were added to the data base of the Department of Justice's automated research system, JURIS. Including the decisions on this system not only gives GAO attorneys access to a computerized search system that contains data on case law, digests, statutory material and the published Comptroller General decisions, but also provides other subscribers to the JURIS system with access to the published decisions. This latter data base will be expanded to include unpublished decisions as well as other GAO documents.

### **LEGISLATIVE DIGEST SECTION**

The Legislative Digest Section provides legislative analyses and research assistance and compiles and maintains legislative history files for each bill and public law since the 1920s. It also maintains subject indexes, enabling a researcher to find legislation or reports dealing with a particular subject, and some subject files containing materials generated by Congress on a particular subject but which are not associated with a specific bill or law. The section also has a file identifying comments made by GAO on bills where the comment deals with a matter of GAO policy, such as our audit authority or new functions the agency might be asked to perform.

The section digests the Congressional Record daily, highlighting legislation, comments, and ref-

erences of interest to GAO. It distributes copies of laws, bills, reports and hearings to the various operating divisions and offices to keep them apprised of what is happening in Congress.

In September 1977, a jointly funded project was initiated by Legal Information and Reference Service and the Congressional Research Service to convert GAO's legislative history collection to microfiche. The Government Printing Office, realizing the importance of this collection, plans to market the microfiche collection through its sales program. Thus, this conversion will not only permanently preserve the material for GAO use but also increase accessibility to the material by all GAO staff members, other Government agencies, and the public.

In May 1979, the General Counsel announced the formation of a legal information task force to study the legal information needs and services provided with the objective of recommending areas or functions needing improvement. As a result of the task force's findings, the General Counsel announced plans in August 1980 to merge the functions of the Legislative Digest Section with those of the Law Library so as to update technologically the legislative history function. Because the Law Library already possesses the necessary skills, automated equipment, and operational procedures, the merger was considered the most efficient means to achieve the desired changes. The merger is scheduled for early 1981.

\* \* \* \* \*

OGC has undergone several important changes in recent years, most of which were designed to increase the effectiveness of service to its "clientele." Its role has shifted from the nearly exclusive function of writing decisions to one of integrating the legal discipline with the audit divisions' production of GAO's essential product: reports on the operations and programs of Federal agencies. OGC's legal work now extends far beyond issues narrowly addressing the proper accounting of appropriated funds.

GAO's expertise in bid protests has gained wide acceptance, and OGC's range of interests,

particularly in light of the auditor's demands for legal assistance, now embraces such matters as the nature and scope of agencies' regulatory authority and examining their implementation of statutory responsibilities for Federal programs.

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2. 31 U.S.C. 71.
3. 31 U.S.C. 74.
4. Frederick C. Mosher, *The GAO: The Quest for Accountability in American Government* (Boulder, Colo.: Westview Press, 1979), p. 206.
5. General Counsel, Memorandum to heads of divisions and offices, 31 Mar 1972.
6. Robert G. Crystal, "The Special Studies and Analysis Section, Office of the General Counsel," *The GAO Review*, (Winter 1975).
7. Public Law 96-185, 93 Stat. 1324 (Jan. 7, 1980), Chrysler Corporation Loan Guarantee Act of 1979.
8. Public Law 93-604, 88 Stat. 1959, secs. 201-203 (Jan. 2, 1975), General Accounting Office Act of 1974.
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10. GAO Order 1130.1 (June 1, 1979). Background materials in file B-139747. See also Raymond J. Wyrsh, "Referrals of Possible Criminal Violations," *The OGC Adviser*, Oct. 1978, and "Dealing with Fraud and Abuse in Federal Programs," *The OGC Adviser*, Apr. 1979.
11. General Counsel's opinion, B-130441, Mar. 10, 1976. See also Paul G. Dembling, "GAO and the Privacy Act," *The OGC Adviser*, Oct. 1976.
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14. U.S. General Accounting Office, *Annual Report of the Comptroller General*, 1968 (Washington D.C.: GPO, 1969), p. 219.
15. U.S. General Accounting Office, *Annual Report of the Comptroller General*, 1972 (Washington, D.C.: GPO, 1973), p. 35.
16. 51 Comp. Gen. 479 (1972).
17. T & H Company, 54 Comp. Gen. 1021 (1975).
18. Heyer Products Company, Inc. v. United States, 140 F. Supp. 409, 135 Ct. Cl. 63 (1956); Keco Industries, Inc. v. United States, 492 F. 2d 1200, 203 Ct. Cl. 566 (1974).
19. 40 Fed. Reg. 42406 (1975).
20. Paul G. Dembling, "Legal Services Available to Regional Offices," *The OGC Adviser*, Oct. 1977.
21. Milton J. Socolar, "Working with OGC," *The OGC Adviser*, Apr. 1979.
22. Comptroller General's report, "Crime in Federal Recreation Areas—A Serious Problem Needing Congressional and Agency Action" (GGD-77-28, June 21, 1977).
23. Public Law 93-344, 31 U.S.C. 1401-1406 (July 12, 1974), Congressional Budget and Impoundment Control Act of 1974
24. Thomas T. Williamson, "GAO Goes to Court: The Impoundment Case," *The GAO Review*, (Spring 1976).
25. Comptroller General's report, "Review of the Impoundment Control Act of 1974 After 2 Years" (OGC-77-20, June 3, 1977).



# Chapter 16

## Management Services

As GAO's work increased in complexity and scope and its staff became larger and more diversified, a wider and more sophisticated array of management services was required. In the early 1970's, GAO's management services organization identified this need and initiated a series of improvements. The organization became a more cohesive structure; a sound financial management system was installed; and information sources and services in GAO were enhanced by using new technologies. In addition, professionals in various service fields were put in leadership positions, and long-range planning became an integral aspect of service delivery. This chapter describes these and other important developments and explains how they were accomplished and how they were related to each other.

### Evolution Of The Management Services Organization

Early in Staats' term, centralized administrative support was provided by a small Office of Administrative Services. Officially this office was responsible for the functions of budget and finance, records management, publications, and providing various office services to the audit staff. However, the systems and procedures in place tended to be cumbersome and outmoded: automation was virtually nonexistent and the level and range of services provided were limited. In addition, the organization was staffed by relatively low-graded and unskilled personnel who had few avenues of opportunity open to them.

GAO also maintained a Data Processing Center, which oversaw its fledgling ADP operations.

The center operated a medium-scale Honeywell computer, which provided limited support for audit activities. It was responsible for assisting divisions and offices with ADP systems analysis and design, evaluating proposed ADP applications, and advising on and making recommendations for acquiring and disposing of ADP equipment. The center was also responsible for designing and programming internal management systems, such as payroll, personnel statistics, and some accounting applications.

On the whole, the state of administrative services in GAO reflected the value this product-oriented organization had traditionally placed on them. The majority of the audit staff were probably only dimly aware these services existed until something went wrong—a paycheck coming late or being misplaced, a service or an equipment requisition going unfilled. The Office of Administrative Services' capacity was taxed just coping with day-to-day requirements and the emergencies that—perhaps more in this sphere of GAO activity than in any other—were continually cropping up. There was little advance planning. Despite these limitations, the state of administrative services in GAO was comparable to that in most other agencies at the time and was reasonably adequate for meeting the basic needs of a three-division organization. As GAO grew more complex in structure and more sophisticated in its work, however, it was imperative that administrative services be upgraded.

When Thomas D. Morris was asked to study GAO's organization in 1970 (see ch. 9), one of his chief observations was that GAO lacked strong staff support elements. In 1971, the Director of the Office of Administrative Services



GAO DATA PROCESSING CENTER on opening day, July 21, 1970.

retired, providing an opportunity to reconfigure that organization and reassess its role. That year Morris was named Assistant to the Comptroller General for Management Services, responsible for overseeing the Office of Personnel Management; the Office of Administrative Services; Data Processing Services; and a new unit to be known as the Organization and Management Planning Staff (OMPS). In December these offices, except for the Office of Personnel Management, were consolidated into the Office of Administrative Planning and Services (OAPS) under the supervision of Clerio P. Pin, Director. Pin—a former GAO'er—had served in administrative positions at the former Atomic Energy Commission.

### **THE EVENTFUL TENURE OF THE ORGANIZATION AND MANAGEMENT PLANNING STAFF**

OMPS was created to fill a vacuum in GAO which Morris had identified. In a way it provided a mechanism to continue doing studies similar to what Morris had done. It was to analyze the organization's interrelationships, practices, structures, controls, and administrative support services. Formally, OMPS was mandated to (1) make detailed studies to formulate plans for improving organization and management practices when requested by top management, (2) evaluate the recommendations of study groups and committees established to develop improvements and advise top management as to their feasibility, appropriateness, and technical soundness, and (3) design, test, and help implement approved recommendations.

This organization—a sort of in-house management consulting team—was something new in GAO. Its first assignment was to follow through on the work of the Committee on Report Processing and Review Procedures. This involved monitoring the implementation of the committee's numerous recommendations by the various GAO components with report-related responsibilities. From then on, this small group of professionals had a full agenda of projects, many of which resulted from brainstorming sessions and/or assessments of agency needs by the management services leadership.<sup>1</sup>

The scope of OMPS' projects ranged across the full spectrum of GAO activities:

- An early study of in-house ADP requirements pointed out that GAO's internal requirements for computer time were growing and would shortly, in fact, outgrow the capacity of its Honeywell 1250 computer. Nonetheless, it concluded that, except for the Transportation and Claims Division's activities, GAO's requirements for infor-

mation systems could be met most effectively through contractor services or ADP support supplied by other Government agencies. As a result, the Data Processing Center was abolished and the in-house computer was dedicated solely to applications of the Transportation and Claims Division. Outside resources were to be used for all other computer applications.

- As a result of its study of Washington-field relationships (see ch. 14), OMPS recommended that the term "lead region" be abolished, that greater responsibility for certain functions be assigned to the field, and that the division of responsibilities between Washington and field staffs on a given assignment be committed to writing in a job management agreement.
- In analyzing time elapsed during report processing, OMPS found that it was difficult to reconstruct the exact steps which occurred and how long each took. It, therefore, developed an instrument known as a Job History Record to be completed at the end of each assignment, documenting all significant job milestones and dates as well as staffing and cost information.
- Other projects. OMPS helped create the newsletter "GAO Hotline," the predecessor of the "GAO Management News;" helped the divisions established by the 1972 reorganization draft their basic operating orders; and initiated early efforts in organizational development. (See ch. 7.)

In February 1973, with the abolition of the Data Processing Center, a General ADP Systems Group was established within OMPS to develop long-range internal ADP plans and to develop and maintain internal ADP systems. Although at the time OMPS did little planning, it did assume responsibility for managing the recently developed Accounting and Auditing Programming, Scheduling, and Reporting (PSR) System, an automated management information system providing data on audit assignments in process or recently completed. This effort was consistent with the emphasis Morris had given to the importance of timely and reliable data as a tool of management. PSR, despite its relatively primitive design and operation, was used to provide periodic "overview" reports on GAO operations. These early efforts in building a management information system for assignments were fraught with difficulties and growing pains. More will be said on this subject later.

OMPS was always a volatile organization, due probably to its uniqueness in GAO, its broad

charter, and orientation toward responding quickly to pressing needs. For 2 years the unit was called Planning and Analysis Staff, and then it reverted in 1976 to being titled OMPS. Increasingly it assumed the management of various task forces, such as the Information Development Group (which developed the GAO Documents data base mentioned in ch. 11) and the Career Management Task Force. (See ch. 12.) Much of its work in later years was devoted to strengthening GAO's personnel operations and managing its organizational development efforts. By 1979 Personnel and other organizations, such as the Office of Program Planning, were firmly established and in a position to deal with the type of internal management concerns that had formerly commanded OMPS's attention. Therefore, OMPS was abolished, leaving a legacy of many of the support elements and management tools GAO has today.

#### **CREATING A CONSOLIDATED MANAGEMENT SERVICES ORGANIZATION**

With the proliferation of GAO divisions and their subunits after the 1972 reorganization, the institution of issue area planning, and the growth in staff, providing the organization with suitable facilities, services, and information became both more crucial and more complex. The management services structure was reorganized to enhance its capability in this regard. After having served briefly as head of management services in 1971, Morris was named Assistant Comptroller General for Management Services in 1974, and Pin became his deputy. Together they presided over a reconfigured and consolidated management services organization: the Office of Per-

sonnel Management, a new Office of Staff Development, the Office of Administrative Services, the Office of Publishing and Graphics Services, the Office of Librarian, the Planning and Analysis Staff (formerly OMPS), and a new Office of Controller. The Office of Controller was established to oversee GAO's budget administration, financial management, and management information systems—a formidable task involving extensive upgrading and automating of these systems.<sup>2</sup>

In 1975 when Morris left GAO and Pin became Director of Management Services, one of his major challenges was to upgrade the caliber of the personnel in his organization. His goal was to recruit highly skilled professionals. Beginning in the mid-1970's, professionals in such fields as



**GAO'S IN-HOUSE PRINTING PLANT** produces over 55 million units a year. It handles primarily short runs and requirements with extremely tight timeframes. Other work is contracted out.

library science, information technology, and records management were hired in increasing numbers. Sometimes he created organizations around these new staff members to take advantage of their skills. Dead-end positions were reduced to some extent by automation and by contracting out for services which GAO had been unable to pay its own employees adequately to perform.

In one case GAO's customers were the prime beneficiaries. In 1977, GAO contracted with the General Electric Company to fill mail, phone, and counter requests for GAO reports by members of Congress or the public. This function had formerly been performed by low-graded employees in GAO's Distribution Section, but this arrangement proved inefficient. In contrast, the Document Handling Facility, by accessing a computerized bibliographic data base developed for this purpose, could process each of the 15,000 or so requests it received each month in a matter of minutes. The data base was also used to generate the monthly abstract journal, *GAO Documents*. GAO's customers received improved service and GAO's auditors gained a readily accessible research tool. (See ch. 11.)

Organizing management services also entailed creation of the right type of structure to meet service needs, especially in the information area. Sometimes changes were made in a short period if needs changed or the new organization did not work out as anticipated. New applications of information technology, such as machine-readable data bases, became increasingly available. In addition, GAO's primary mission entailed producing and delivering information. "Information management" was identified as an essential activity if the agency was to avoid duplication among its various information services. The staff's level of awareness also had to be raised regarding the availability of certain information services. A unit was needed to capture and respond to GAO staff's information requirements and to set GAO-wide policy with regard to information services generally.

Consolidating information activities was the next step. In July 1978, the Office of Information Management (OIM) was created to help establish new ways to manage information technology. Also in that year a permanent high-level Information Policy Committee, chaired eventually by the Assistant Comptroller General for Policy and Program Planning, was established to develop information policy, manage information resources within GAO, and review information system planning and development. In November 1979, the Office of Librarian and the Records Management and Directives Branch of the Office of Administrative Services were merged with OIM to form the Office of Information Systems and Services (OISS). These offices were consolidated because they all dealt with information, and their efforts required coordination to avoid duplication and to improve information access

and dissemination. OISS, was, therefore, made responsible for the overall management and coordination of internal and external information activities at GAO, except those which were the specific responsibilities of GAO divisions or the Office of Public Information.

At the same time OIM was created, it and GAO's other support services were united with financial management operations under a new office of General Services and Controller (GS&C). Richard L. Brown, GAO Controller since 1977, was named Director. The functions performed by GS&C included space management, payroll administration, information management, library services, budgeting, and publishing. As part of this 1978 reorganization, Clerio P. Pin was promoted from Director, Management Services, to Assistant to the Comptroller General (Administration) in charge of General Services and Controller, Personnel, and the Organization and Management Planning Staff. In the process the number of persons reporting to Pin was reduced from six to two, giving him greater opportunity to participate in agency policy decisions. In April 1979, he was appointed Assistant Comptroller General for Administration.

Strategic planning became an integral part of management services. Just as audit divisions are required to prepare program plans setting forth goals and ways to meet them, GS&C managers also set priorities. Although not required to, in 1979 and 1980 they prepared program plans describing the objectives that each GS&C office would be concentrating on and how they contributed to the overall mission of GAO. Personnel now is preparing its own program plans.

An Office of Security and Safety was established in GS&C in 1980 to manage and administer the GAO-wide security program, including personnel, physical, and information security. The office was established in response to the recommendations of the Security Task Force. Organized in the fall of 1979, the task force was directed to update, strengthen, and streamline GAO security policy to bring it in line with Government standards and regulations.

GAO's administrative organization as of October 1980 is shown in the chart below.

## Internal Financial Management

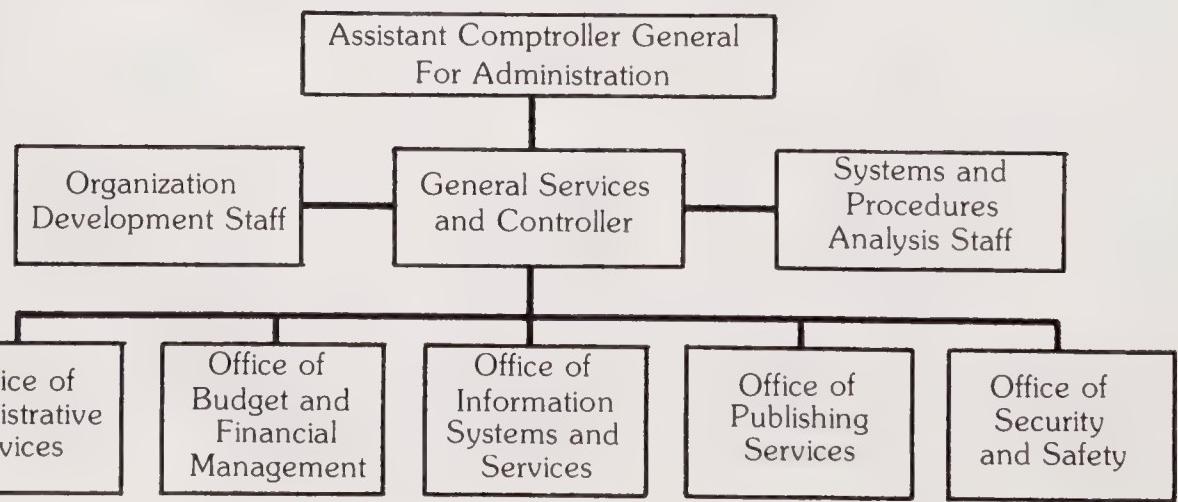
Although none of GAO's support functions was a model of modern efficiency at the beginning of this period, its internal financial management system was a source of particular concern.

Financial management operations in GAO frustrated and even mystified management and employees alike at times, but it was not for lack of oversight. In 1971 the Washington regional office audited GAO's financial statements and accounts and found that the Office needed to (1) comply with the accounting standards it had established for Federal agencies, (2) make more complete use of its financial resources, and (3)



**CLERIO P. PIN, ASSISTANT COMPTROLLER GENERAL** for Administration, and Richard L. Brown, Director, General Services and Controller, discuss management services priorities.

### **Figure 16-1 The Management Services Organization**



collect in full amounts due the Government for which it was responsible.<sup>3</sup> From 1973 to 1977, the Office of Internal Review (OIR) was required to review and render an opinion on GAO's financial statement annually. In its reports OIR cited weaknesses in internal controls and procedures, insufficient documentation, posting and duplicating errors, unliquidated obligations, failure to reconcile travel advance balances, and a host of other management deficiencies. Over the years various task forces were organized to address GAO's accounting system problems. Both they and OIR did much to effect improvements.

Many of GAO's financial management problems originated with events outside the control of the management services organization. The financial management operation was saddled with several fairly significant handicaps which hampered its effectiveness. First, an entirely manual system was still in place in 1972 when GAO reorganized and thereby multiplied the number of entities whose financial transactions had to be processed. In addition, the finance section had not had any leadtime to prepare for the change. Not surprisingly, the system was ill-equipped to cope with the increased workload. Secondly, over the next several years, the system was consistently in a state of flux as various parts of it underwent the inevitable agonies associated with automation. The conversions did not happen overnight; often, in fact, both the manual and the automated versions of a system were maintained simultaneously for a while to ensure that no transaction escaped processing. Large backlogs built up with each conversion. Finally, the finance section was continually plagued by a high turnover rate among its personnel. Few promotional opportunities were available in this limited sphere of GAO's operations.

Payroll was the first financial management system to be automated. Clerio Pin recalled that, when he first started working in management services, the GAO payroll was usually in an uproar and frequently in an overtime status. The Office switched to an automated system which was attended by the predictable bugs and backlogs and required operating both the old and the new systems for a time. In 1976 GAO found it necessary to develop yet another payroll system for several reasons. One of the important ones was that the system in operation was a "payment by exception" system. In other words, each employee was paid his/her salary unless the system was notified not to. Many control features required to properly manage a payroll function were absent. Another reason was that, when the transportation rate audit function was transferred to the General Services Administration, the Honeywell computer on which GAO's payroll had been processed was also transferred. The decision was made to implement a new payroll system which required a positive reporting of time and attendance. The system maintained by

the Department of Justice operated this way, and it was adopted by the Office of Controller, with appropriate modifications to suit GAO's requirements.

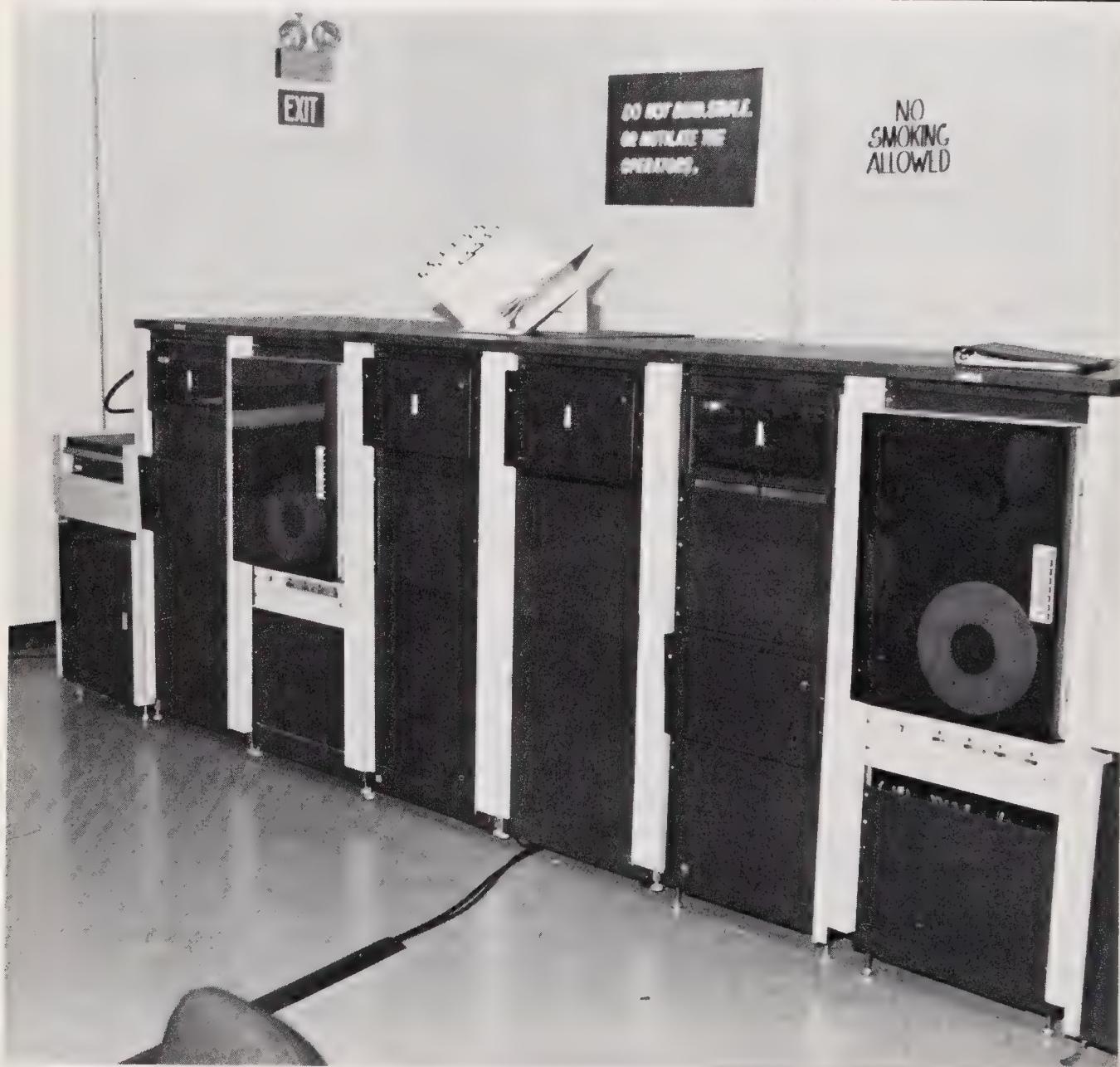
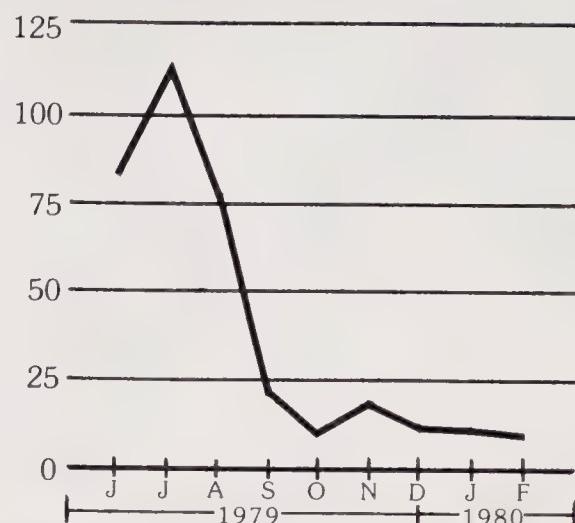
In essence the new system required all employees to submit time and attendance reports before their payroll checks would be processed. Leave and overtime were paid and recorded on a current-pay period basis. Earnings statements were issued every pay period and included additional information, such as current leave balances. Management now had acceptable accounting information and audit trails, and employees regularly received accurate, timely, and complete pay and leave data. The end result compensated for the many adjustments and corrections to employees' accounts that had to be made and the backlog that once again developed during the transition.

In addition to converting to a positive payroll system, the Office of Controller implemented a new automated travel and miscellaneous payments system that same year. Once again, the old and new systems were used simultaneously for a time. Until recently, processing backlogs of 600 or more travel vouchers were commonplace. Employees were notified of travel advances outstanding only once a year. Every travel voucher was audited, regardless of the face amount. In 1979, after several years of effort, GS&C implemented a full travel advance management system which permits it to continuously reconcile and age the 2,000 travel advances totaling about \$1 million that are outstanding at any given time. The status of each employee's travel advance balance is now printed on his biweekly earnings statement, and a reconciliation unit has been established to answer employee questions and straighten out any processing or other snags that may occur. Employees are required to liquidate travel advances promptly. Once they have been officially notified that their travel advance balances are delinquent, they must liquidate them within 2 weeks or they will be collected by payroll deduction. GS&C is meeting the goal it has established of processing and paying all travel vouchers within 21 days; the average time is 10.8 days. In addition, GS&C has streamlined its voucher auditing procedures so that, below a certain threshold, only a random sample is audited.

For many years the prompt payment of a bill was more the exception in GAO than the rule. Payables were commonly as much as 6 months in arrears. One of the major problems was a failure to ensure that each transaction was backed up by the requisite paperwork—purchase order, delivery receipt, and invoice. Often divisions or offices would requisition services or products from a vendor without obtaining the approval of, and hence a purchase order from, the procurement unit. Also, vendors often sent invoices to the person or office requesting ser-

vices or products instead of to the central procurement unit. The invoices were then held for unnecessarily long periods or simply got lost in the course of circulating around the main building. Once in GS&C, invoices were not always promptly paid, either; in June 1979 control logs showed 370 invoices which had been in GS&C for more than 30 days. In 1979 and 1980, a Payables Task Force, composed of Washington regional office staffers, worked with GS&C to identify and implement needed improvements in GAO's bill-paying procedures. Major changes recommended by the task force included file reorganization, increased staffing and training, and increased procedural documentation. All the recommendations are eventually to be implemented. Another significant innovation in this area was the installation of an automated invoice tracking and aging system for control of requisitions from purchase order to payment. GAO's goal is to pay all invoices within 30 days; it now pays most in about 12 days.<sup>4</sup>

**Figure 16-2**  
**Invoices Unpaid Over 60 Days Show Improvement After Automated Tracking System Installed**



**COMPUTERIZED SYSTEMS** have helped upgrade GAO internal financial management.

Once the right expertise was brought to bear on the problems that existed, financial management operations gradually improved. Today GAO has a network of computerized systems in place which keep its finances in good order and provide GAO management and employees with timely, accurate, and useful financial information.

## Information Management Becomes An Agency Goal

As discussed earlier, by the mid-1970's, GAO was coming to appreciate the importance of improving the coordination and management of its information resources. By this time assembling, processing, storing, disseminating, and accessing information involved a variety of technical, professional, and procedural activities and many GAO organizations. In addition, it was clear that information management, delivery, and utilization affected all of GAO. In fact, they were the lifeblood of the organization.

A number of task forces were established to analyze how GAO could improve the efficiency and effectiveness of its information resources. The Information Management and Development Group was established in 1976 to apply new information technologies to the task of increasing GAO staff members' awareness of and access to the wide variety of GAO publications and doc-

uments—audit reports, staff studies, memorandums, opinions, speeches, testimony, and Comptroller General decisions. The result was the GAO Documents project (discussed earlier in this chapter and in ch. 11).<sup>5</sup>

In 1977 the Task Force to Study GAO Information Services and Activities was established to (1) recommend how to coordinate and manage the application of information technology covering not only GAO publications but also outside sources of research data and (2) explore the feasibility of preparing a single inventory and directory of GAO's information products and services. The task force identified more than 100 information sources—many of them produced in GAO—that were available to the staff. Through in-depth interviews with GAO staff, the task force found evidence that available information products and services sometimes were not yet well known or used. It suggested that prospective users had to muddle through an unnecessarily complex labyrinth to get to the information sources they needed. Based on its limited work, the task force posited that more systematic knowledge of how GAO staff viewed information services would be helpful in organizing, structuring, and managing those services; in determining the products and services that should be provided; and in further stimulating their use by staff members. It did not develop a comprehen-



**MOBILE MAIL EQUIPMENT** provides staff in GAO Building with more efficient service.

sive inventory and directory of GAO information products and services but asserted that doing so would not only be feasible but would provide a useful tool for acquainting the staff with the range and magnitude of available informational aids.

In March 1978, with the establishment of the Information Policy Committee (IPC) to oversee and coordinate information policy and services, the Task Force to Study GAO Information Services and Activities was abolished.<sup>6</sup>

Since its first meeting in May 1978, IPC has established policies on a wide variety of information management issues. To some extent, the group's initial deliberations have been oriented more toward "firefighting" than toward making policies which will substantially shape the way GAO does business in the future. Policies agreed to thus far include:

- ADP support for administrative and audit work should be centralized in GS&C.
- The retention period for workpapers should be changed from 6 years to 3 years.

- Cost analyses and feasibility studies should be done before any decisions are made to lease ADP services or buy a computer.
- All audit support services should be provided by the timesharing vendor with which GAO currently has a contract, unless the provider is a Government facility.

In a few cases, however, IPC has set policies with greater long-range implications. For example, in April 1980, IPC determined that it is GAO policy to actively promote the efficient and effective use of information technology to increase the productivity of its work force. It then authorized GS&C to conduct a test of high-technology information equipment to determine if it would be appropriate for use in GAO. In the test, auditors in the San Francisco and Atlanta regional offices and the Accounting and Financial Management Division will incorporate the use of electronic work stations into their work. The equipment used will have the capacity to do word processing, document transmission, light com-

## **Office Of Internal Review: The Eyes And Ears Of Top Management**

*In the 1960's, GAO had continually recommended in audit reports that agencies establish internal audit organizations. Meanwhile GAO itself usually relied on internal ad hoc task forces to examine financial operations and management activities. It seemed appropriate, therefore, for GAO to have its own permanent, officially designated internal audit capability.*

*Accordingly, the Comptroller General established the Office of Internal Review (OIR) in 1971 to review the operations and performance of all GAO divisions and offices and to report the resulting findings, conclusions, and recommendations to himself and the Deputy Comptroller General. This responsibility included identifying ways of making GAO operations more effective, efficient, and economical through:*

- Evaluating compliance with policies, procedures, regulations, and laws.
- Evaluating the system of management controls over operations and resources.
- Examining accounts, financial transactions, financial management reports, and related control procedures to determine their reliability and usefulness.
- Making specific examinations required by the Comptroller General and the Deputy Comptroller General.

*Lloyd Smith was appointed first OIR director. For the next 8 years, OIR concentrated heavily on reviewing financial records and controls and other administrative operations. Since many of these areas were undergoing extensive development and streamlining, OIR's efforts came at a particularly opportune time to have a formative impact.*

*During these 8 years, OIR also undertook work in other aspects of GAO operations. For example, from 1972 to 1975, OIR conducted the first comprehensive study of GAO's personnel management. This involved analyzing thousands of questionnaires filled out by professional staff at levels up through GS-15. These were supplemented by interviews with staff in all the regions, the overseas offices, and the headquarters divisions. The results were used in various ways; for example, the Office of Personnel Management used them for reviewing staff recruiting and rotation practices, and the Office of Administrative Planning and Services used them in planning and arranging for the physical working conditions of GAO offices. OIR also conducted annual evaluations, beginning in 1973, of the effectiveness of GAO's equal employment opportunity program. In 1980 OIR studied GAO's attrition rate for professional employees and made several recommendations directed at improving personnel management to ensure retention of high caliber staff. In a followup to this review, OIR examined OPM attrition statistics*

puting, and graphics and to access data bases.<sup>7</sup>

GS&C will try to determine if interacting with such equipment enables auditors to improve the timeliness and/or quality of their work. In addition, any final evaluation of the project will need to consider other potential impacts, such as those related to equal employment opportunity, the need for paraprofessionals to help operate the system, and educational processes needed for professional employees. It is possible that with this project GAO has taken a step toward a "paperless" future.

IPC has also called for development of a long-range information management plan. Its cornerstone is the consolidation and integration of GAO's various administrative management information systems. More than a dozen of these now exist. The resulting integrated data base would be composed of four subsystems or modules: personnel management, financial management, assignment management, and project management. The last of these would provide

ADP support for the Office of the General Counsel, the claims function, the library's bibliographic data bases, etc. In contrast, GAO's current management information systems were developed independently of one another with no systematic planning or effort to make one compatible or reconcilable with another. Fragmentation resulted, with one system run on one agency's computer, another on another agency's, some run on GAO's minicomputer, and all unable to communicate with each other. If tapped to provide information, such as the number of staff currently assigned to a given project, each would probably have given a different answer.<sup>8</sup>

In 1978, GAO contracted with Price Waterhouse & Co. for a study of its administrative information requirements. About a year later, the contractor delivered a requirements analysis and detailed functional specifications for an agency-wide management information system known as the Administrative Information Resources System, or AIRES. AIRES was envisioned as re-

## **Office Of Internal Review: The Eyes and Ears Of Top Management—Continued**

for departments and agencies employing people with similar skills and found that GAO's rate was relatively low, except for professionals in the general attorney series.

OIR uses the same standards and quality controls in its reviews as GAO uses in its audits of executive branch activities. OIR reports are referenced, for example, and officials responsible for subjects discussed in the reports are given an opportunity for advance review and comment.

OIR's work differs from traditional GAO auditing, however, in several important respects. OIR generally does not receive feedback from management as to corrective actions taken as a result of its work. Also, while GAO blue-cover reports are available to the public, distribution of OIR reports is at the Comptroller General's discretion. Finally, unlike the audit divisions, OIR had no comprehensive planning system to ensure that its work was directed to the most important issues and concerns. Instead, OIR conducted reviews as requested from time to time by the Comptroller General and the Deputy Comptroller General or as suggested by division or office officials or the OIR staff. What planning there was allowed for management input to the direction of OIR's work, but it was piecemeal and oriented largely toward short-range goals.

With the appointment of a new OIR director, Robert M. Gilroy in May 1980, the time seemed right for an assessment of OIR's role in reviewing GAO operations. Gilroy reported in October 1980 that OIR could significantly increase its effectiveness if it devoted more attention to assessing GAO's operational performance. He noted that OIR's work in administrative matters had been useful but that, considering GAO's most pressing management concerns, it need not command as substantial a level of effort as it did in the past. Other changes identified as likely to improve OIR's usefulness as a management tool included:

- Becoming involved early in major policy and operational changes to facilitate monitoring their implementation and to lend objectivity to later evaluations of them.
- Performing fewer detailed reviews and developing more efficient forms of reporting.
- Installing a comprehensive planning system.
- Establishing formal followup policies and procedures to ensure that management gives timely consideration to OIR's recommendations.

Staats approved the refocusing of OIR's activities and requested that it be translated into an assignment-oriented program plan. Thus it appears that OIR will soon follow the rest of GAO in placing greater emphasis on the utilization of and results derived from that most important and costly of organizational assets—people.

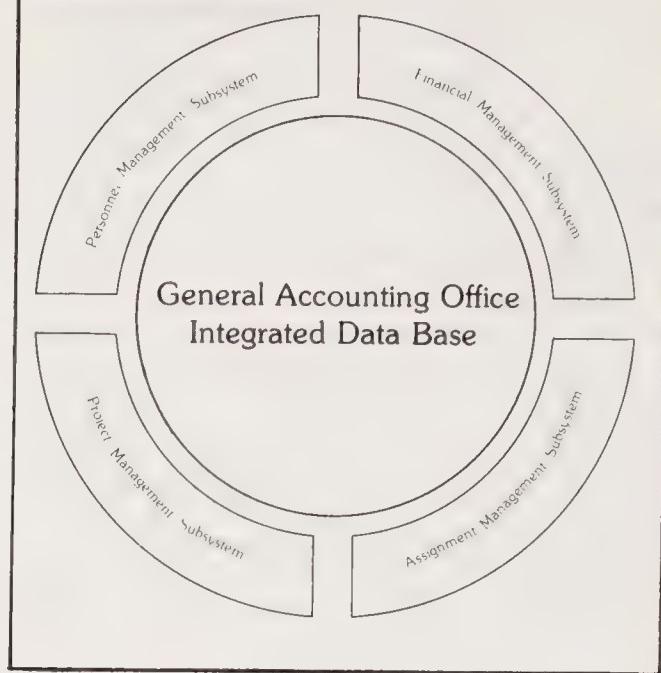
placing a number of GAO's existing independent administrative systems with an integrated system composed of five major subsystems and a common data base. It also called for a single facility to be used for both processing and reporting in order to minimize interchanges and the need for synchronization of data among subsystems. GAO decided to use the Price Waterhouse report mainly as the backbone of the requirements analysis it will submit to industry when it solicits proposals for an integrated system.<sup>9</sup> The Office has received permission from the General Services Administration to directly solicit proposals, as required by the Brooks Act, and the process is underway.<sup>10</sup>

If and when GAO gets this consolidated information management system working effectively, it will conclude a long and sometimes frustrating search for systems that provide the information management needs when it needs it. Chapter 9 noted that in 1966 top management requests for information on agency operations had to be processed manually through the cognizant divisions and offices, which, in turn, often had to generate the needed data themselves. The obvious need for adequate information systems went unfulfilled for many years.

The Planning, Scheduling, and Reporting System, mentioned earlier in this chapter, represented GAO's first attempt to capture and generate timely, accurate data on assignments which could be used as a tool for managing them. Like any other new system, it had "bugs" and was neither very timely nor very accurate. It did, however, give managers more information than they had had before. It whetted their appetites for more and better information and started them thinking about possible uses for it. The Management Data System (MDS) replaced the Planning, Scheduling, and Reporting system in 1978. Its origins are discussed in chapter 14. MDS was designed to improve individual and collective understanding of GAO's performance and to improve accountability for the millions of dollars in resources entrusted to its operation. It was deficient in several respects, however. Divisions and regions entered data pertaining to their jobs independently without the entries being reconciled or consolidated into a master record. More often than not, the data provided on a given job by one division differed from that provided by a second division or regional office. Data already entered into the system could be revised at any time, so an organization wishing to make its performance on an assignment look better for the record could do so whenever it wanted. In addition, the reports produced by MDS were not timely, and it was very expensive.

The Assignment Management and Planning System (AMPS) was adopted by GAO in April 1979 with a view toward making it the starting point for system consolidation and integration. It replaced four previous assignment manage-

**Figure 16-3  
Long-range Plan For Consolidating Management Information Systems**



ment information systems—PSR, MDS, and two other systems developed by divisions. AMPS was sufficiently advanced and flexible to permit ready enhancement by the incorporation of other systems. The original version of AMPS included personnel action (Standard Form 50) and locator, time and attendance, and assignment management data. Subsequent additions have included travel reporting, general ledger, allotment ledger, and staff-year projection data. AMPS appears to be greatly superior to its predecessors, and GAO managers have indicated verbally and by their level of usage that they find it a valuable tool.

AMPS gives users a set of output reports that are produced regularly and also may be produced on demand. There are four categories of reports which correspond to the information needs of management at different levels in GAO. Three of these report categories—job management, division/region management, and top management—provide information related to the management of individual assignments and groups of assignments. A fourth category, called control reports, provides information to the AMPS administrators, as well as to the divisions and regions, regarding changes to the data base and potential erroneous entries. All the reports reflect the data stored in the data base at the time they are produced. Information on assignment milestones, products, performing organization and personnel assignments, priority, and other assignment descriptors is updated on-line. As a result, AMPS reports, such as the assignment description report (J1), reflect daily changes

in the data base. On the other hand, information pertaining to staff resources spent on assignments is updated biweekly after time and attendance data for the most recent pay period has been posted to the data base.<sup>11</sup>

An important AMPS feature is "division ownership;" that is, each division is responsible for posting its own data to the system and updating it. This allows for greater accuracy than would be likely if data was entered centrally. Accuracy is further safeguarded by the fact that, once data has been entered into an assignment's master record, it is not subject to alteration.

The use of AMPS to generate reports by the Office of Program Planning (OPP), the divisions, and the regional offices tripled during its first year of operation. OPP uses the data extensively in fulfilling its role of analyzing GAO's performance. OPP's quarterly "Overview Report on Selected GAO Activities," for example, is generated directly from the AMPS data base. In addition, two Assistant Comptrollers General acquired their own terminals for ready access to the system and to demonstrate top management's enthusiasm for it.

AMPS will be integrated into the consolidated data base for which GAO is now soliciting proposals. The type of facility which will operate the system will depend on economics and the types of proposals submitted. Presently the long-range plan provides for a request for proposals to be issued in late 1980 and a contract to be awarded about 6 months later.<sup>12</sup>

The centralization of ADP support for administrative and audit work in OISS and preparation of a long-range plan were steps which had been encouraged by the House Government Operations Committee, which exercises oversight of ADP procurements Government-wide. For a while the Committee took issue with some of GAO's ADP procurements, but it has reacted somewhat more favorably to GAO's most recent efforts. In the Committee's view, GAO should serve as a model for the Government, and its interest in the Office's ADP procurements is likely to continue.

## Space Renovation And Acquisition

If an organization's physical environment gives any insight into the character of that organization, it would appear that GAO is a more progressive, more productive, and less drab place to work than it was in 1966. GAO's working environment was overhauled in a priority project lasting several years.

Before the space renovation effort started in 1972, the GAO Building had not had major attention since its construction was completed in 1951. Conditions within were depressing; gray, green, and beige were the prevailing colors, lighting was poor, and carpeting was completely ab-

sent. Few employees below the GS-15 level had private workspaces; most offices had four or five occupants. At least 1 office in the Transportation and Claims Division, however, had nearly 500 occupants.

In addition, the building was uncomfortable. Designed in 1940, it was intended for use by the pre-World War II GAO—a large clerical audit staff which received financial documents from throughout the Government for centralized processing. Consequently, the design provided for a large open area for housing records with enclosed offices lining the perimeter. However, as audit activities became decentralized, the numbers of professional staff increased, and new organizational divisions were created, GAO's space needs changed entirely. Private offices were created in the interior warehouse-type area, reducing the available light and distorting air flow. Hot and cold spots resulted, as well as wind tunnels of surprising strength, some of which continue to defy correction.

In 1971, Pin directed his staff to study these problems and launch a major effort to eradicate them. A survey was made of the entire headquarters building. Immediate and long-range space needs as well as the expected growth of each organizational unit were estimated, and then alternatives to the present system were explored. Elements of modern space planning, such as the "office landscaping" concept, were studied and incorporated into the final plans.

The renovation effort was planned in phases to allow for concurrent staging areas while other areas were being renovated. In 1978 an OAS official capsulized the undertakings up to that time as follows:

Over 450,000 square feet of space have been renovated and furnished at a total cost exceeding \$3,216,000. Over 1,000 pieces of new furniture have been purchased \* \* \*. Over 11 acres of carpet have been installed. Over 1,900 people have been moved \* \* \*. Over 4,000 telephones have been installed, moved, upgraded, or rearranged. However, these statistics do not begin to reflect the compromises, the confrontations, the successes and the disappointments that the Office of Administrative Services staff experienced with this renovation effort.<sup>13</sup>

GAO's staff was generally receptive to the prospect of a better working environment, but at times during the renovation, that seemed to be about the only thing everybody agreed on. Issues such as how much money to spend; whether or not to requisition new furniture; and, in particular, how large to make the offices for the different grade levels all sparked considerable controversy and ruffled more than a few feathers.

Ultimately GAO chose a level of remodeling that leaned to the conservative side. Six-foot-high portable partitions were introduced to give each employee a relatively private working space but also to permit maximum flexibility in the event of future reconfigurations. Live plants were placed sparingly about the building to relieve austerity and were soon supplemented by many privately-owned ones. A new ceiling was installed to help correct the air circulation problems. Brightly colored wall-to-wall carpeting and new furniture completed GAO's new look.

All in all, it was not an easy task, and the results represented a compromise between many conflicting needs. To accomplish almost any part of it required the blessing and intimate involvement of the General Services Administration. Tight coordination and nearly split-second timing were required to ensure that contractors completed their work on schedule and did not get in each other's way. Leadtimes of up to 5 months for deliveries and installations had to be accommodated.

While the renovation was underway at headquarters, the regional offices also were extensively remodeled. In several cases they moved into new quarters. In one popular arrangement adopted by the offices, the management staff were located in offices in the core of the workspace and the administrative staff lined the perimeter. This allowed the administrative staff to enjoy treasured window views usually reserved for higher grade levels.

GAO not only renovated its existing space; it also acquired new space in the GAO Building as other agencies, such as the Federal Power Commission and the Federal Maritime Administration, moved out. GAO had received first priority for space in the building under the Gen-

eral Accounting Office Act of 1974. (See ch. 8.) In December 1976, the Comptroller General requested GSA to release additional space to GAO to enable it to effectively discharge the additional responsibilities placed upon it by the Congress and to consolidate many of its activities located around the Washington, D.C., metropolitan area. In November 1977, GSA agreed to release space occupied by the Bureau of Labor Statistics. GAO encountered repeated delays in the scheduled delivery dates, however. It did not receive the first portion of Bureau of Labor Statistics space until July 1980, with the remainder due by December of that year. By then GAO will have acquired another 70,000 square feet of space and will occupy about two-thirds of the building.<sup>14</sup>

The renovation effort is scheduled for completion in 1981. In all, 556,000 square feet will have been renovated at a cost of over \$4.5 million. But that will not end the task of ensuring that GAO employees have a satisfactory working environment. That remains the day-to-day concern of the Office of Administrative Services.

### **The "Operations Manual"**

Perhaps it could be said that GAO will become a mature agency—one which is fully developed—when it completes a detailed set of instructions to its employees known as the "Operations Manual." This set of 10 thick looseleaf binders now available to all GAO employees contains administrative instructions and procedures on every imaginable subject from abbreviations to zip codes. Its objective is to assure effective communication by providing current, authoritative direction through directives that are complete, concise, easy to understand, and readily accessible. As a manual system it largely succeeds in meeting this objective.

Instructions are grouped to provide each specialized audience complete information on a specific subject. Examples of the groupings are: organizations and functions, travel and transportation, and emergency preparedness and civil defense. The specific instructions can be readily revised and updated.

These handy, how-to-do-it manuals were a significant improvement over the previous system. Before they existed GAO's procedures for communicating Office policies and instructions were the subject of considerable discussion and some confusion among the divisions and offices and management services personnel. There was no central source where all GAO's administrative operating procedures could be found. They were generally divided up among Comptroller General Orders, personnel management manuals and memorandums, and various unaffiliated and uncontrolled interoffice memorandums. The Comptroller General Orders, the primary set of directives, was organized so that subjects were not developed completely in any one part. The



**RENOVATED SPACE** provides a pleasant working environment for GAO staff.

policies, the organizations and functions, and the delegations of authority pertaining to a given subject all had to be looked up separately.

In 1971 it had become clear that GAO had outgrown such a fragmented system, and OAPS was instructed to update and revise it. Material pertaining to GAO's external accounting and auditing functions, such as that contained in the "Comprehensive Audit Manual" and the "Report Manual," was excluded from the project scope.

To assist in developing a new system, which came to be known as the "Operations Manual," GAO hired a consultant from the National Archives for 6 months.<sup>15</sup> Her major contribution was developing a set of subject classification codes. OAPS staff then built on her work toward a simple, flexible system. One of their first major tasks was to develop procedures for distributing the individual orders. The goal was to ensure that those who needed to see each order received it but that others who had no interest did not. It was agreed that some orders would be sent to all employees, but most would be distributed to a more limited audience with the idea

that sets of manuals would be located where they would be accessible to all.

The next step was to convert the Comptroller General Orders, personnel management manuals and memorandums, and other issuances into "Operations Manual" orders. The first order, describing how the "Operations Manual" system works, was issued in October 1973, 2 months after GAO management had enthusiastically approved the system. Over the next several years, the administrative services staff took the lead in converting existing orders and instructions into "Operations Manual" format and style, a process that continues as this is written.

As new, appropriate subjects for orders are recognized, the division or office having primary responsibility for the subject is responsible for drafting an order, obtaining the proper coordination and approval of the order by all other offices involved with the subject, and determining the order's distribution. Each order contains all policy, delegations, and procedural information pertinent to the subject. Interoffice memorandums still have their place, but, in general, divisions and offices are encouraged to use or-

### Format For Completing The First Page Of A GAO Order

**Figure 16-4**

<p>On INTERNAL orders, type here the official office symbol of the issuing division or office.</p>		<p>CIA FORM 378 (Aug 73) United States General Accounting Office Operations Manual</p> 	<p><b>Order</b></p>	<p>Identify the subject classification code assigned to the specific order.</p>
<p>If the subject cannot be completed on one line, type the second line in the position shown.</p>		<p>Subject: SAFEGUARDING INFORMATION AND DOCUMENTS IN THE INTEREST OF NATIONAL SECURITY</p>	<p>0930.1</p>	<p>Content of order governs use of chapters. Sections may be used to divide chapters (or appendixes)</p>
<p>Triple space</p>		<p>CHAPTER 1. PURPOSE AND GENERAL INFORMATION</p>	<p>December 7, 1972</p>	
<p>2 spaces</p>		<p>1. PURPOSE AND APPLICABILITY. This order establishes the basic policies, standards, responsibilities, authorities, and procedures to be applied within the General Accounting Office for safeguarding information and documents in the interest of national security.</p>	<p>See appendix 1, figure A1-1, for paragraph and subparagraph arrangement.</p>	
<p>Double space</p>		<p>2. SCOPE. This order contains general information as well as prescribing details for classifying, marking, downgrading, declassifying, controlling, storing, transmitting, and destroying security classified documents and materials.</p>	<p>Type the name of the division or office initiating the order.</p>	
<p>The initiating office will select the appropriate distribution codes to be entered here.</p>		<p>3. SUPERSESSION. This order supersedes:</p> <ul style="list-style-type: none"> <li>a. Comptroller General's Order No. 1.11, Safeguarding Information and Documents in the Interest of the Defense of the United States, October 15, 1970.</li> <li>b. Comptroller General's Order No. 3.9, Designations in Connection with Safeguarding Security Information, April 15, 1969.</li> <li>c. Security Officer's Memorandum No. 1, Procedures for Classifying, Safeguarding, and Handling Information and Documents in the Interest of the Defense of the United States, September 16, 1968, as amended.</li> </ul>		
		<p>4. REFERENCES.</p> <ul style="list-style-type: none"> <li>a. Atomic Energy Act of August 30, 1954, as amended.</li> <li>b. Section 18 of Public Law 831, 81st Congress, as amended (18 U.S.C. secs. 793 and 794).</li> <li>c. Executive Order 10501 of November 5, 1953, as amended.</li> <li>d. Title 5 of the Independent Offices Appropriations Act, 1952, 65 Stat. 290, 31 U.S.C. 483n</li> </ul>		
		<p>Distribution C, N, R, and S</p>	<p>Issued by, Office of Administrative Planning and Services</p>	

ders as the primary vehicle for communicating significant operating information. All orders must be reviewed and updated every year by their originators.

The "Operations Manual" appears to be a successful communications tool. It is logical and easy to use, and most new orders can be readily associated with one of the existing subject classification codes. The distribution codes, recognized as a simple way to target an audience outside of using grade levels or names, have been adopted for use on other issuances besides orders. The manual has been accepted by divisions and offices, who are generally cooperating in replacing memorandums with orders. And, most important of all, GAO staff have at least one authoritative source they can turn to for answers to their policy and procedural questions. If there is any drawback in this system, it may be the very process of reducing every conceivable internal process or procedure to a set of written instructions with the expectation they will be followed by everyone in the agency. As long as the instructions are perceived only as guides to be adapted or modified to suit the exigencies of real-life situations, they will be serving a useful purpose.

\* \* \* \*

Management services is the last, but by no means the least, of the subjects covered in this document. Like many of the other activities discussed in earlier chapters, management services have grown and developed greatly during the period, but the challenges ahead loom even larger. GAO vastly upgraded the management skills and resources devoted to this activity. As

just one example, in 1966 the top administrative officer was a GS-15 in charge of a small office performing largely clerical functions. Today he is an Assistant Comptroller General who participates in all the top-level councils and oversees a larger, more sophisticated, and broader-scoped set of organizations. Pin summarized the change this way: "Before we had an administrative organization that functioned like the corner mom-and-pop grocery store. Today we operate more like a supermarket. Both the services we provide and the attendant problems have grown to match."

1. Comptroller General Staats, Memorandum to heads of divisions and offices, 17 Feb. 1971.

2. Comptroller General Staats, Memorandum to heads of divisions and offices, 16 Aug. 1974.

3. U.S. General Accounting Office, Washington Regional Office, "Improvements Needed in Internal Controls and Accounting Practices of the United States General Accounting Office," report to the Comptroller General, Jan. 11, 1971

4. U.S. General Accounting Office, General Services and Controller, "1980 Program Plan," pp. 6, 21.

5. Comptroller General Staats, Memorandum to heads of divisions and offices, 19 Apr. 1976

6. U.S. General Accounting Office, Task Force on GAO Information Services and Activities, "Report of Progress and Results" (Apr. 1978)

7. GAO Order 0138.1, "Information Technology" (Apr. 17, 1980).

8. GS&C 1980 Program Plan, pp. 8, 12

9. Price Waterhouse & Co., AIRES Detailed Functional Specifications, Vol I, Aug. 29, 1979, pp. 25-31.

10. Public Law 89-306 (Oct. 30, 1965).

11. American Management Systems, "Assignment Management and Planning System Reports Users Guide," Aug. 1979, pp. 1-2

12. GS&C 1980 Program Plan, p. 47.

13. Larry A. Herrmann, "GAO's Space Renovation Effort Project Management in the Real World," *The GAO Review*, (Spring 1978), p. 6

14. "Long-Range Space Improvement and Utilization Plan for the General Accounting Office," Mar. 1980, pp. 1-2.

15. Thomas D. Morris, Assistant to the Comptroller General for Management Services, Memorandum to Comptroller General Staats, 7 Oct. 1971



# Epilogue

The foregoing chapters have chronicled a long list of policies, programs, activities, and accomplishments at GAO from 1966 to 1981. Few would disagree that the institution is stronger and more capable today than it was 15 years ago. But there are at least two paradoxes associated with this growth and development. First, while it is now stronger and more capable, GAO may have as far to go in achieving today's more ambitious and complex goals than those of 15 years ago. The agency has come far enough to realize how long a journey it has undertaken. Second, while the institution's contributions to the Congress have become increasingly recognized, the course GAO will chart for the future is still not fully settled. Key questions include: What is the optimum balance of work in the broad areas of (1) financial audits and financial management, (2) economy and efficiency reviews, and (3) program results reviews? And at what point will the amount of direct assistance to the Congress infringe on its necessary flexibility to do work required under its basic statutes?

GAO today has available a multidisciplinary staff which includes accountants and evaluators, attorneys, actuaries, claims adjudicators and examiners, engineers, computer and information specialists, social scientists, personnel management specialists, and other disciplines. They are supplemented, as needed, by consultants and experts. These resources provide the Office with the range of skills, experience, and ability—on hand or on call—to perform requested audits and evaluations in just about any subject area.

Commenting on the 200th anniversary of the Senate, Majority Leader Robert C. Byrd said:

*Every year we appropriate billions of dollars to fund domestic, military, and international programs of vast consequence to the people of this nation and of the world. But we realize that the act of legislating or appropriating does not automatically solve a social, or economic, or political problem; nor does it absolve the Senate of further responsibilities over those problems. We must have legislative oversight of the administration of the laws we pass; and we must have strict accountability for the funds we appropriate. \* \* \**

*When we consider the magnitude of the Federal government and its annual budget today, we realize how difficult a task we would face in demanding such accountability if it were not for the assistance and vigilance of the United States General Accounting Office. It is our largest and, in*

*many respects, perhaps our most important congressional support agency.*

*Since its creation, the General Accounting Office has evolved most admirably to provide Congress with the kind of professionalism, nonpartisanship, and objectivity in its reports and recommendations that we need to perform our appropriation and oversight responsibilities. The GAO has became an integral part of the legislative process, and a support agency which makes possible a vigorous and independent Congress.*

The organization seems to have a sound legislative charter and extensive resources to convey authoritative, unbiased information to a Congress always in need. And even the establishment of inspectors general will not diminish the need for an independent institution like GAO to review financial and management problems from its broad perspective.

The concern most frequently voiced about GAO's future is about its independence, both to choose what subjects it reviews and how it carries them out. The Office has been made stronger and more independent by getting its own personnel system and enforcement mechanisms for its access-to-records authority. But Congress has been looking more closely at how the organization pursues its mission and the substantive requests for individual studies are still on the rise. This is not to say that either oversight or direct requests for assistance are inappropriate, merely that the Comptroller General needs to preserve sufficient latitude to set GAO's agenda and carry it out.

Internally, the differences will no doubt persist between those who support the trend toward more program analyses and evaluations using state-of-the-art techniques and the conservatives wedded to financial and management audits using the more traditional approaches. Today there is room for both in the agency. Employees will continue to be concerned about their place in the organization, the opportunity for constructive accomplishment, and their chances for advancement in an environment that ensures equal opportunity based on merit. With a willingness to compromise and good communication among management and staff and between headquarters and regional offices, there is no great barrier to addressing these issues effectively.

At the close of his book Mosher restated very divergent views about what GAO ought to be like in the future. Citing the value of GAO's credibility and the need to move cautiously as the

agency becomes increasingly involved in questions of policy and program, he alluded to the agency's unique position to attack problems that cross both executive agency organizational lines and congressional committee jurisdictions. He

also urged that a balance be struck between short-range demands and long-range opportunities. There really is nothing further to offer except to note that the next 15 years will likely be as challenging and stimulating as were the last.

# Appendix

## Importance Of Maintaining GAO's Role As An Independent Agency In The Legislative Branch To Assist Congress In Its Oversight Of The Executive Branch And Assuring That Appropriated Funds Are Expended Legally, Economically, And Effectively

**EDITOR'S NOTE:** This previously unpublished paper grew out of discussions between Comptroller General Staats and Assistant Comptroller General Ellsworth Morse about how to improve understanding concerning the concept of the Comptroller General's independence. In recent years, government audit institutions in other nations have strengthened their independence through modifications to provisions for appointing and removing chief auditors. This subject receives attention in the United States from time to time in connection with proposals to revise the means by which the Comptroller General is appointed. This Office's independence also was questioned in a motion to dismiss filed by the Department of Justice in response to a civil action brought by the Comptroller General in 1975 against the Secretary of Housing and Urban Development for impounding appropriated funds in violation of the Impoundment Control Act of 1974.

Some have asserted that, as head of an agency in the legislative branch, the Comptroller General acts as an "agent of the Congress" and is a legislative officer. On the other hand, GAO has asserted, and the courts have confirmed, that the Comptroller General, while performing duties that are clearly an adjunct of the legislative process, is an independent officer of the United States who also performs many nonlegislative functions. Stated simply in Staats' words, "He is an agent of Congress in the sense he functions on their behalf, but he does not do their bidding." Retaining this concept of independence requires that the Comptroller General remain a constitutional appointment made by the President.

This paper has been updated, where appropriate, to reflect developments following its preparation.

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The General Accounting Office, headed by the Comptroller General of the United States, is frequently referred to as an "independent oversight arm for the Congress," the "investigative arm of the Congress," and "Congress' Watchdog over Federal spending." In all these references, it is clear the Comptroller General is responsible to the Congress although exercising wide latitude as to matters which he audits and complete independence in reaching his conclusions and recommendations.

The framers of the Budget and Accounting Act of 1921 wanted to establish a strong agency

to serve the Congress. They wanted to head it with an official who, to use the words of one legislator, would carry out his audits, studies and investigations fearlessly and free at all times to report to the Congress his findings, including criticisms of executive agency actions which, in his opinion, are improper, illegal, and inefficient or ineffective. The Congress recognized that in playing this role it had to be clear to all concerned that the Comptroller General was performing in an unbiased, objective, and nonpartisan manner and free of any fear of reprisal for taking actions or reaching conclusions that might be objectionable to the executive agency concerned or to any congressional committee or Member of Congress.

In order to reinforce this objective:

1. The Comptroller General is appointed for a 15-year, nonrenewable term.
2. The Comptroller General is removable only by the Congress (by joint resolution) and then only for specified reasons, or by impeachment.
3. While appointed by the President and confirmed by the Senate, the President cannot unilaterally remove the Comptroller General.
4. Provision is made for a Deputy Comptroller General who is similarly appointed by the President and confirmed by the Senate. Other GAO staff members are employed under a personnel management system which is statutorily independent of that which governs executive branch employees.
5. The Comptroller General is provided with retirement arrangements similar to those of Federal judges.
6. As a presidentially-appointed officer of the United States, the Congress delegated to the Comptroller General a number of "executive type" functions, primarily designed to assure that an official accountable to the Congress was able to assist the Congress in assuring the financial accountability of the executive agencies. These include:
  - Auditing and settling the accounts of accountable officers.
  - Issuing opinions on the legality of proposed expenditures of public funds.
  - Prescribing accounting principles and standards for the guidance of the executive branch agencies.
  - Countersigning Treasury warrants.

- Collecting or settling claims by or against the United States.
- Bringing suits to require the release of impounded budget authority.
- Participating as a voting member of the Chrysler Loan Guarantee Board.

See Attachment A for more detailed statement about these functions.

#### **IMPORTANCE OF THE COMPTROLLER GENERAL'S EXECUTIVE-TYPE FUNCTIONS**

The constitutional power of the Congress to authorize and to make appropriations of public funds—the “power of the purse”—provides one of the most effective controls over the operations of our Government.

The courts have recognized that many of the Comptroller General's most significant duties—duties that assist the Congress in the exercise of its “power of the purse”—have been classified as “executive” functions. *U.S. ex rel. Brookfield Const. Co., Inc. v. Stewart*, 234 F. Supp. 94 (D.D.C.), aff'd U.S. App. D.C. 254, 339 F. 2d 753 (1964). The Supreme Court, in *Buckley v. Valeo*, 424 U.S. 1, at 128, footnote 165, has suggested that his constitutional authority to carry out these duties turns upon the fact of his presidential appointment.

A change in the method of selecting the Comptroller General to place the appointment power in the Congress rather than the President would alter his constitutional status and, therefore, impair his legal authority to perform these “executive” duties, thus weakening the ability of the Congress to see that public funds are properly expended. Such a change would risk disturbing the delicate constitutional balance that has been achieved and maintained for the 55 years that the Office has served the Congress. The courts might hold that the Comptroller General, if appointed by the Congress, could no longer perform these executive functions. Such a holding would strip away large areas of the Comptroller General's ability to safeguard the interests of the Congress in seeing that appropriated funds are expended in accordance with law and the intent of the Congress.

As a result, this authority would be vested in executive branch officers subordinate to the President and dependent upon him for their jobs. This may be a chilling prospect when one considers the statement made by President Cleveland, when told by his Comptroller (then removable by the President) that he could not

use a certain appropriation for a given purpose: “I must have that fund, and if I can not change the opinion of my Comptroller, I can change my Comptroller.” (Remarks of Rep. Good in connection with the Budget and Accounting Act, 1921, 61 Cong. Rec. 982 (1921)).

The Congress in 1921 recognized that an independent official with such powers and duties had to be an officer of the United States and provided for his appointment accordingly. At the same time, it registered its clear intent that this officer was not an executive branch official when it specified that he was independent of the executive branch, was accountable to the Congress, and, once confirmed by the Senate, could only be removed from office by joint resolution of the Congress or by impeachment.

#### **NEED FOR COMPTROLLER GENERAL-GAO TYPE FUNCTION**

The U.S. form of government with its separation of powers and checks and balances requires a Comptroller General-GAO type function if it is to operate properly. There must be an efficient, independent audit system and the Congress must have a source of impartial and unbiased information, including evaluations of Government programs and activities that cannot be obtained without such an office. The quality of the information produced is a direct function of an independence of operation and a competence of performance that derives from that position of independence. As one key congressional committee staff member once said, “If we did not have a GAO, we would have to invent one.”

Audit institutions throughout the world look up to the Comptroller General and the GAO because of the long strides made in advancing the art of auditing and evaluating governmental programs and activities and providing objective, unbiased reports to the Congress as well as to executive agencies and the public with evaluations and conclusions on executive agency performance and with recommendations for improvement. It is most unlikely that these advances could have been made without the independence of leadership and action to pursue them that characterize the Office of the Comptroller General.

Preserving the independence of the Comptroller General, as described, is an essential component of a modern and conceptually advanced governmental audit system. Such a system, as it has evolved in the U.S. Government, enables the

Comptroller General to carry out an independent audit and evaluation function across the board in the Government on the basis of modern concepts of management control. He has the flexibility to select what requires audit attention based on known needs of the Congress and its committees and on his conclusions as to effectiveness of agency management control systems. This freedom of action should not be degraded if the Congress and the public want to keep a strong audit system as a key concept in our system of checks and balances.

A weakening of his independence and flexibility to operate could conceivably result in GAO audit and evaluation efforts being directed only at subjects that key congressional committees want audited or investigated. A related result would be lack of balanced audit attention to all governmental programs and activities by reason of pressure to "lay off" some or by directing that so much be done on certain programs that no resources would be left to devote to others. This kind of a system could not be depended upon to produce objective and impartial examinations of Government programs and activities with logical conclusions and recommendations for improvement. This system might well lead to an audit system controlled in effect by congressional committees. In turn, this could lead not only to audit chaos and a resulting slackening of independent audit pressure for a high degree of agency management performance and improvement but also to lack of auditing of any kind on behalf of the Congress and the public in some important program areas.

#### **ROLE OF THE GAO IN PROVIDING DIRECT ASSISTANCE TO COMMITTEES AND MEMBERS OF CONGRESS**

GAO is frequently referred to as a "support agency" along with the Congressional Research Service, the Congressional Budget Office, and the Office of Technology Assessment. \* \* \* These agencies devote full time to meeting the specific requests which are made to them by committees and Members of Congress. They work in close adjunct to the Committees and represent, to a very considerable extent, an extension of the staff of those committees.

The General Accounting Office devotes roughly two-fifths of its effort to meeting similar requests. This role has been recognized from the beginning of the Office in 1921 when the Comptroller General was directed to "make such investigations and reports as shall be ordered by either House of Congress or by any committees of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request." Thus, the Congress recognized this dual role from the outset.

This dual role was further recognized in the Legislative Reorganization Act of 1970 and the Congressional Budget Act of 1974 which provided that the Comptroller General should review and evaluate the results of Government programs and activities when ordered by either House of Congress, or upon his own initiative, or when requested by any committee of the Congress having jurisdiction over such programs or activities.

The primary role of the Comptroller General, however, continues to be that of the independent initiator of audits and reviews of programs of the executive branch agencies to assure the Congress that these programs are carried out in accordance with law, the intent of the Congress, with fiscal integrity, and as efficiently and effectively as possible. He is expected to draw conclusions and make recommendations—unpopular as they may be—for improvements in these programs. He is essentially a critic of executive branch operations, whereas the other congressional support agencies are intended to provide primarily research and information services to committees and Members of Congress.

#### **ACCOUNTABILITY OF THE COMPTROLLER GENERAL TO THE CONGRESS**

While the Comptroller General has been established by the Congress with a great measure of discretion and independent action, he is fully accountable to the Congress. The Congress has by law and by practice exercised its accountability in several different ways:

1. The Comptroller General must appear annually before the Congress for necessary operating funds for the General Accounting Office, entailing detailed accounting as to the needs of the Office, its accomplishments in the prior year, and its plans for the future.
2. He must prepare an annual report to the Congress, setting forth the work which the Office has performed during the year and make special reports either on his own initiative or at the request of the committees of the Congress.
3. He is subject to having his work reviewed by oversight committees of the Congress, including special committees established to examine the operations of the legislative branch (note particularly the \* \* \* report of the Commission on the Operation of the Senate and the more recent review of the General Accounting Office conducted by the Select Committee on Congressional Operations of the House of Representatives).
4. The GAO is being called upon increasingly to testify on its work before a multitude of congressional committees. \* \* \* These hearings provide an opportunity for the committees to render a judgment on the adequacy of GAO's work.

5. All actions or recommendations of the Comptroller General are subject to legislative action by the Congress or review by the courts.
6. All reports of the Comptroller General to the Congress, unless classified for security reasons, are made public and, therefore, subject to the same scrutiny and criticism as reports or actions of any other part of the legislative branch.
7. The Comptroller General can be removed for specified reasons of inefficient performance, permanent incapacitation, neglect of duty, malfeasance of office, or guilt of any felony or conduct involving moral turpitude, or by impeachment.

#### **NEED FOR AUDITOR'S INDEPENDENCE WIDELY RECOGNIZED**

The method of selection of chief auditors and their tenure varies considerably from jurisdiction to jurisdiction. Many countries, however, have recognized the need for independence. For example, in Germany, the national auditor is appointed for life; in Canada, the Auditor General serves until age 65; in Italy and Denmark, the auditor serves until age 70; France, the auditor serves until age 68. Similarly, the national auditor in most countries cannot be removed except for specific cause, and other statutory provisions have been established designed to assure independence of his actions and to prevent political interference in his decisions.

The General Accounting Office, in its "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" issued in 1972, provides that "\* \* \*" in all matters relating

to the audit work, the audit organization and the individual auditors shall maintain an independent attitude." To maintain this necessary independence, the GAO made a number of suggestions but emphasized particularly that auditors "\* \* \*" should also be sufficiently removed from political pressures to ensure that they can conduct their auditing objectively and can report their conclusions completely without fear of censure."

In line with these standards, the GAO subsequently prepared drafts of model State laws which provided specific statutory language to assure necessary State auditor independence.

The need for independence was widely recognized within the Congress when the 1921 legislation was being debated. Excerpts from statements made on this subject by leading Members of Congress are included as Attachment B.

#### **CONCLUSION**

In the 60 years since the enactment of the Budget and Accounting Act, there has never been a major problem between the Comptroller General and the Congress. It is difficult to imagine any Comptroller General not willing to render a full accounting to the Congress for his stewardship. It is also difficult to imagine any President appointing a person to the post of Comptroller General who is not acceptable to both Houses of the Congress and both major political parties. A change in the method of appointment, therefore, can only lead to a weakening of the role of the Comptroller General and to rendering the General Accounting Office a less useful instrument to the Congress.

# Attachment A

## Executive-type Functions Of The Comptroller General Of The United States

### Settlement Of Public Accounts

The Comptroller General's authority to settle public accounts is at the very heart of his responsibility to the Congress to assure that appropriated funds are properly spent and that the executive branch remains accountable to the Congress for their use. The assignments of responsibility, their significance and related legal authorities are discussed below.

### AUDITING AND SETTLING THE ACCOUNTS OF ACCOUNTABLE OFFICERS

31 U.S.C. 71 provides that all accounts in which the Government of the United States is concerned shall be settled and adjusted in the General Accounting Office. This authority carries with it the power to disallow payments determined to be improper, illegal, or otherwise incorrect and to hold accountable officers liable for such amounts.

5 U.S.C. 5584 provides specifically in settling accounts for waiving, under certain conditions, claims arising from erroneous payments of pay or allowances. Other provisions of law authorize GAO to relieve accountable officers from liability for various kinds of losses, deficiencies, or illegal or otherwise improper payments.

This function provides the basis of an important legislative branch check on the proper and legal handling of public funds by executive branch agencies.

### PRESCRIBING ACCOUNTING PRINCIPLES AND STANDARDS FOR THE GUIDANCE OF EXECUTIVE BRANCH AGENCIES

31 U.S.C. 66 provides that the Comptroller General shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency. He also has the authority to prescribe the forms, systems, and procedures for administrative appropriation and fund accounting (31 U.S.C. 49).

These authorities are regarded as an important type of legislative branch control over executive branch handling and accounting for public funds. The importance of having this authority vested in an officer of the United States in the legislative branch was emphatically reaffirmed by the Congress with the enactment of the Budget and Accounting Procedures Act in 1950. The report of the House Committee on Expenditures

in the Executive Departments in commenting on the First Hoover Commission proposal to transfer this authority to the Treasury stated:

*Under a policy established and steadfastly adhered to by the Congress, the Comptroller General of the United States, as an agent of the Congress, has been vested with authority to prescribe accounting requirements for each of the executive agencies in order that appropriate audits might be made thereof and that the Congress might exercise control of appropriations and expenditures in the executive branch. The committee feels that this long-established policy of Congress is an essential legislative control over public financial transactions, and must be held inviolate. It has, therefore, rejected this recommendation of the Hoover Commission.*

### Issuing Opinions On The Legality Of Proposed Expenditures Of Public Funds

31 U.S.C. 74 provides that heads of executive departments and their accountable officials may request and the Comptroller General shall render decisions on any questions involving payments to be made by them. Advance decisions on the legality of proposed disbursements of public funds by executive agencies are binding on the GAO in auditing and settling accounts, and the settlement of an account by the General Accounting Office is binding upon the executive branch. Thus, this function provides an important check on compliance by executive branch agencies with the requirements of law relating to the handling of public funds.

Growing out of the power to render advance decisions and to disallow credit for illegal or otherwise improper payments in auditing and settling accountable officers' accounts is the related function of rendering legal decisions on bid protests. These protests are received from unsuccessful bidders to supply goods or services to the Federal Government and who are aggrieved for one reason or another by the procurement agencies' decisions. Hundreds of these decisions are issued each year and represent an important service to the Government as a whole and to the

contracting community in addition to providing an important legal check on the propriety of executive branch procurement activities.

#### **COUNTERSIGNING TREASURY WARRANTS**

31 U.S.C. 76 provides: "All warrants, when authorized by law and signed by the Secretary of the Treasury, shall be countersigned in the General Accounting Office." Under joint regulations of the Secretary of the Treasury and the Comptroller General over the years, the use of warrants to officially initiate recording of appropriations on the books of the Treasury and of the agencies involved and document other cash receipt and disbursement transactions by the Treasury has been largely discontinued. They are still in use, however, for appropriations but countersignature in the General Accounting Office has been discontinued except for those under continuing resolutions by the Congress. Countersigning of the warrants in these cases is considered an important procedural check on compliance of the executive branch with the provisions of the resolutions.

#### **COLLECTING OR SETTLING CLAIMS BY OR AGAINST THE UNITED STATES**

31 U.S.C. 71 provides that claims by the Government of the United States or against it shall be settled and adjusted in the General Accounting Office. Other laws have authorized executive branch agencies to settle their claims arising from their activities. Some laws provide that specific types of claims against the United States be paid only after settlement by GAO.

49 U.S.C. 66 authorizes transportation carriers or forwarders to request the Comptroller General to review actions on their claims by the General Services Administration.

31 U.S.C. 952 provides for the Attorney General and the Comptroller General to jointly promulgate regulations to be followed by Federal agencies in collecting, compromising, or discontinuing collection action of claims of the United States for money or property.

31 U.S.C. 93 provides that the General Accounting Office shall superintend the recovery of all debts finally certified by it to be due the United States.

These laws overall provide the GAO, a legislative branch agency, with appropriate authority to be directly involved in the processes of collecting or otherwise settling claims due the United States as well as claims against the United States.

#### **Bringing Suits To Require The Release Of Impounded Budget Authority**

The Impoundment Control Act of 1974, 31 U.S.C. 1416, gives the Comptroller General the authority to bring civil actions against the Executive to compel the release of impounded budget authority. In conferring this function upon the Comptroller General, which the Department of Justice has characterized as "executive," the Congress has taken a firm stand on the question whether the Executive is to be allowed to determine which spending laws it might choose to ignore.

The Comptroller General's function here is an effective mechanism for assuring that the Executive not thwart the will or trespass on the constitutional power of the Congress. The one suit brought under this Act, *Staats v. Lynn*, CA 75-0551 (U.S. District Court, D.C.), although not the subject of a decision by the Court, resulted in the release of millions of dollars of impounded budget authority. That case alone is strong evidence of the value of the Act to the Congress. If the Comptroller General were shorn of his authority to sue under the Act, impoundments could once again burst forth as an issue leading to confrontations between the Congress and the Executive.

#### **Imposing And Collecting Civil Penalties Under The Energy Policy And Conservation Act Of 1975**

Title V of the Energy Policy and Conservation Act of 1975 empowers the Comptroller General to issue subpoenas and order disclosure of information in connection with verification examinations of energy information submitted to certain Government agencies and financial information of vertically integrated petroleum companies. While this is an extension of Congress' inherent investigatory powers, the Act further authorizes the Comptroller General to assess civil penalties where orders to submit answers or records are violated. This power to assess civil penalties might be characterized as executive in nature, and therefore could be jeopardized were the Comptroller General appointed by Congress. Loss of this power would considerably diminish the force of the subpoena authority conferred by the Act.

# Attachment B

## Quotations Concerning The Independence Of The Comptroller General

Congressional debates in 1919-21 on the proposal to establish the General Accounting Office demonstrated that the Congress felt it was essential that the Office be free from political influence and be as independent as is possible under our form of government. The General Accounting Office was established by the Budget and Accounting Act, 1921.

Excerpts from the debates:

### INDEPENDENCE OF ACTION

"\* \* \* Our idea was that in some manner we should make these responsible head officers (of the GAO), having such tremendous powers and responsibilities, as independent as possible under our form of government, and should get as high a class of men as possible, and then give them the powers similar to what such officers have in other countries of the world and allow them to fearlessly cut down and cut out all the thousands of unnecessary expenditures of our Government. They should be absolutely free and independent of official influences. They will have to be cold-blooded and cut down appropriations in every direction that they deem proper and eliminate duplication and any superfluous employees and antiquated methods and antiquated people and inaugurate efficiency and up-to-date business methods, and they have very great and far-reaching responsibilities, and they must have a free hand to properly perform their very great duties." 58 Cong. Rec. 7129 (1919) (Remarks of Congressman Taylor of Colorado).

\* \* \* \* \*

"MR. BLAND. Did not the committee contemplate that the comptroller general might not only be brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisle in Congress, and possibly both sides, in the impartial discharge of his duties?

"MR. GOOD. Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they crit-

icize, their political heads will come off." 58 Cong. Rec. 7282 (1919).

\* \* \* \* \*

"It was the intention of the committee that the comptroller general should be something more than a bookkeeper or accountant; that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied—which is another term for inefficiency—that he would bring such facts to the notice of the committees having jurisdiction of appropriations." 61 Cong. Rec. 1090 (1921). (Remarks of Congressman Good).

### JUDICIAL CHARACTER OF OFFICE

"Neither the President of the United States, a member of his Cabinet, nor anyone that have a claim before the comptroller general, has any right to dictate to him what his decision shall be upon the law and the facts involved in the case. It is a judicial determination, just as clear and distinct as any question in court, and the chairman of this committee is absolutely right when he says that judicial powers reside here and must be exercised by the comptroller general. Beyond that the President cannot go; beyond that a Cabinet officer cannot go; beyond that a claimant cannot go. There is a course of procedure, however, which may be adopted. Anyone who feels aggrieved by the decision, taking issue with the finding of the comptroller, may go to the Court of Claims and sue there to protect his rights, and may also go on to the Supreme Court of the United States. Here is a direct line of judicial procedure." 58 Cong. Rec. 7278 (1919) (Remarks of Congressman Andrews).

\* \* \* \* \*

"Absolutely independent from the spending departments. We give it a judicial status. It examines questions as a court examines questions, upon the law and upon evidence." 58 Cong. Rec. 7136 (1919) (Remarks of Congressman Hawley).

\* \* \* \* \*

"The position is a semijudicial one and the tenure in office is made secure so long as the official performs his work in a fearless and satisfactory way." 58 Cong. Rec. 7085 (1919) (Remarks of Congressman Good).

#### **FREEDOM FROM POLITICAL CONSIDERATIONS**

"In creating the general accounting office and providing for the comptroller general and the assistant comptroller general, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations. It was considered that as to the President's appointment, if it was made a political office, the President would in all likelihood appoint some one of his own political faith. If the political situation should change and a President of some other political faith should assume the duties of that office, then that succeeding President would likewise appoint some one of his own political belief. It was the desire of the committee that this situation should be avoided if possible.

"You will recall that a former President, somewhat miffed because a Comptroller of the Treasury had ruled against his contention, sent word to the comptroller that if he could not change the opinion of the comptroller he could change the comptroller. It was the opinion of the committee that that condition should not be possible in the office that we were creating, an office that is to be, as it were, an arm of the Congress, where the official might be compelled to say to the executive officials, 'This appropriation shall not be expended for any other purpose than that expressly provided for in the appropriation.' We all know the tremendous influence that has always been brought upon the Comptroller of the Treasury, no matter who was President of the United States or to what political party he belonged, or who might occupy the position of comptroller." 59 Cong. Rec. 8610 (1920) (Remarks of Congressman Good).

#### **APPOINTMENT**

"MR. GOODYKOONTZ. Does not he think that the comptroller general would be rather an

agent or a mere arm of Congress, which itself has the power to select committees or agencies to gather information for it, and does not come within the category of general officers contemplated to be beyond the jurisdiction of Congress itself?

"MR. GOOD. It was the opinion of the committee that framed the law that the officer we were creating here was an officer of the United States, and his appointment would have to fall under the provisions of Article II of section 2 of the Constitution." 59 Cong. Rec. 8612 (1920).

#### **ABILITY TO OPERATE FEARLESSLY WITHOUT FEAR OF REMOVAL**

"By creating this department (GAO), Congress will have applied a practical business policy to the administration of the Government's fiscal affairs. Men will be employed as auditors who owe their positions to their training and ability and who do not secure their positions as a reward for political service. They will be fearless in their examinations, and can criticize, without fear of removal, executives who misuse appropriations or whose offices are conducted in an inefficient manner." 58 Cong. Rec. 7085 (1919) (Remarks of Congressman Good).

\* \* \* \* \*

"The creation of an independent auditing department will produce a wonderful change. The officers and employees of this department will at all times be going into the separate departments in the examination of their accounts. They will discover the very facts that Congress ought to be in possession of and can fearlessly and without fear of removal present these facts to Congress and its committees." 58 Cong. Rec. 7085 (1919) (Remarks of Congressman Good).

#### **LEGISLATIVE CONTROL THROUGH POWER TO REMOVE**

"MR. FESS. In other words, the man who is appointed may be independent of the appointing power, and at the same time if the legislative branch finds that he is not desirable, although he may be desirable to the appointing power, the legislative branch can remove him?"

"MR. HAWLEY. Yes \* \* \*." (58 Cong. Rec. 7136 (1919)).

\* \* \* \* \*

"\* \* \* If the bill is passed this would give the legislative branch of the Government control of the audit, not through the power of appointment, but through the power of removal. It seems to me that the whole plan gets back to the scheme of the Constitution of the United States. It restores something of the power that Congress formerly had and ought to have, but which in practice has been largely taken over by the Executive." 58 Cong. Rec. 7211 (1919) (Remarks of Congressman Temple).

\* \* \* \* \*

"\* \* \* The report of the comptroller general should be made to the power which makes the appropriations \* \* \*. We have control of the purse, and the Executive has no control of any money except moneys appropriated by Congress. The report should be made to the appropriating power; and the auditing power, it seems to me, with its judicial functions considered especially should be independent of the executive

power as are other officers exercising judicial functions. The President of the United States has no right to remove a Justice of the Supreme Court or any other judge. Why should he have the right to remove the man who exercises judicial functions in interpreting the appropriating acts of Congress?" 58 Cong. Rec. 7280 (1919) (Remarks of Congressman Temple).

\* \* \* \* \*

"We thought that these men, having a judicial status, ought to have a judicial tenure of office. We have thought that they ought to be secure in the tenure of office unless they were incompetent, guilty of malfeasance of office, or dereliction of duty, or have otherwise shown themselves unfit to hold the place. Then they can be removed if in the judgment of the two Houses of Congress they ought to be removed." 58 Cong. Rec. 7136 (1919) (Remarks of Congressman Hawley).



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